

**ATTESTATION REPORT
OF
SEWARD COUNTY COURT
JULY 1, 2011 THROUGH JUNE 30, 2013**

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Issued on December 17, 2013

SEWARD COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Comment and Recommendation	1 - 2
<u>Financial Section</u>	
Independent Accountant's Report	3 - 4
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2013	5
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2012	6
Notes to Financial Schedules	7

SEWARD COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of Seward County Court, we noted a certain deficiency and other operational matters that is presented here.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and provide reliable financial records. A system of internal control should include proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the office of the County Court had a lack of segregation of duties, as one person was capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous examinations. We consider this to be a material weakness.

We recommend the County Court and the Nebraska State Court Administrator review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

Clerk Magistrate's Response: You are correct that I am able to handle all aspects of processing transactions from beginning to end. However, that rarely happens. In a small office, in order to receipt for the money when it is received, everyone needs to be able to issue receipts. The vast majority of those receipts are written by the clerks whose desks are in the main office. Two of us (Cathy and myself) are able to sign the checks. The majority of those checks are issued on JUSTICE and manually written by other clerks and then signed by one of us. The daily deposits are prepared and taken to the bank by Lanise. Her backup is Terri. I only prepare the deposit if both Lanise and Terri are gone. I do the daily review of reports, monthly balancing and disbursements of the fees.

To add another layer of security, starting in January I intend to have Lisa review the checking account reconciliation every month. I will also show her how to do the reconciliation so that she can randomly complete it. However, as she is the court reporter, her 1st responsibility is to go in the courtroom and will not always have the time to do the reconciliation in a timely manner.

In addition, the Supreme Court recently assigned extra duty financial specificialists to each court. That specialist should randomly be reviewing our financial records.

SEWARD COUNTY COURT

COMMENT AND RECOMMENDATION

(Continued)

I hope this better explains the steps we have put in place to segregate the financial duties as much as we are able.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but will be verified in the next examination.



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SEWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Seward County Court as of and for the fiscal years ended June 30, 2013, and June 30, 2012. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Seward County Court as of June 30, 2013, and June 30, 2012, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management, is described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

December 3, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

SEWARD COUNTY COURT
SEWARD, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
ASSETS				
Cash and Deposits	\$ 109,728	\$ 776,593	\$ 794,030	\$ 92,291
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,520	\$ 87,180	\$ 86,920	\$ 6,780
Law Enforcement Fees	483	5,886	6,016	353
State Judges Retirement Fund	1,568	19,040	19,352	1,256
Court Administrative Fees	3,110	47,384	47,355	3,139
Legal Services Fees	1,637	20,313	20,680	1,270
Due to County Treasurer:				
Regular Fines	15,324	174,193	179,856	9,661
Overload Fines	300	7,400	7,700	-
Regular Fees	3,174	15,061	17,481	754
Due to Municipalities:				
Regular Fines	555	5,855	6,207	203
Regular Fees	84	3,270	3,256	98
Trust Fund Payable	<u>76,973</u>	<u>391,011</u>	<u>399,207</u>	<u>68,777</u>
Total Liabilities	<u>\$ 109,728</u>	<u>\$ 776,593</u>	<u>\$ 794,030</u>	<u>\$ 92,291</u>

The accompanying notes are an integral part of the schedule.

SEWARD COUNTY COURT
SEWARD, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 99,654	\$ 660,259	\$ 650,185	\$ 109,728
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 8,132	\$ 75,578	\$ 77,190	\$ 6,520
Law Enforcement Fees	462	5,382	5,361	483
State Judges Retirement Fund	1,585	17,897	17,914	1,568
Court Administrative Fees	3,518	42,276	42,684	3,110
Legal Services Fees	1,641	19,196	19,200	1,637
Due to County Treasurer:				
Regular Fines	9,518	154,401	148,595	15,324
Overload Fines	-	4,700	4,400	300
Regular Fees	2,944	20,689	20,459	3,174
Due to Municipalities:				
Regular Fines	597	5,433	5,475	555
Regular Fees	84	2,258	2,258	84
Trust Fund Payable	<u>71,173</u>	<u>312,449</u>	<u>306,649</u>	<u>76,973</u>
Total Liabilities	<u>\$ 99,654</u>	<u>\$ 660,259</u>	<u>\$ 650,185</u>	<u>\$ 109,728</u>

The accompanying notes are an integral part of the schedule.

SEWARD COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2013, and June 30, 2012

1. Criteria

A. Reporting Entity

The Seward County Court is established by State statute and is administratively operated through the Court Administrator's Office of the Nebraska Supreme Court, which is part of the State of Nebraska reporting entity. The Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court, including the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The Schedules do not reflect the personal services expenses of the County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Seward County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system of accounting, fines, fees, and receipts relating to trust funds are shown as additions to assets and as an increase in the related liability when received. Likewise, disbursements are shown as deductions to assets and as a decrease in the related liability when a check is written.

2. Deposits and Investments

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court, as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2012). Funds are generally consolidated in an interest-bearing checking account; however, the County Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.