

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

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Issued on April 8, 2014

BUTLER COUNTY COURT

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BUTLER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Butler County Court, we noted certain deficiencies and other operational matters that are presented here.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
3. ***Investment Interest:*** The County Court did not record interest received on investments timely.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature, as it contains only our comments and recommendations on the areas 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 management with an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next examination.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. 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 a 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 lacked a segregation of duties. Specifically, 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 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.

County Court's Response: The County Court has only 2 full time employees and each employee is capable of handling all aspects of the financial duties. All receipts are issued as funds come in, and the employee that is at the counter does this. The end of the day receipts are completed by either employee, and they are responsible for the deposits for that day. Checks may be written and signed by both employees, and the end of the month balancing is done by both employees. Because our Court is so small and has a small staff, it is impossible to completely segregate the duties, although I feel with both employees doing all aspects it acts as a check and balance system as well as can be done.

2. Overdue Balances

Good internal control and sound business practices require overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

During testing of 11 overdue balances, 9, totaling \$2,696, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. As of March 8, 2014, overdue balances, excluding restitution judgments, totaled \$29,148.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow-up action taken, or the balances may have been previously resolved and should no longer be reflected as being overdue.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

We recommend the County Court implement ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

County Court's Response: While unpaid balances were reviewed, some were not timely resolved as the cases on which the costs were closed or transferred without the Court addressing those unpaid balances. Those unpaid balances included the non-waiverable court costs, sheriff's fees, witness fees, fax fees and fees from cases transferred to other counties and the cases were inadvertently closed without addressing those uncollected costs. This report has been addressed. Each case is being reviewed, and the appropriate orders are being signed by the Judge. A significant improvement will be shown on this report.

3. Investment Interest

A good internal control plan requires interest earnings on investments held by the County Court be receipted in a timely manner to ensure accurate accounting records are maintained.

We noted the office of the County Court controlled two investments during the fiscal years ended June 30, 2012, and June 30, 2013, which had interest earnings totaling \$905 that were not receipted. When interest earnings are not recorded in a timely manner, records do not reflect the correct balance controlled by the County Court.

We recommend the County Court implement procedures to ensure interest earned on investments is receipted timely.

County Court's Response: When the investment funds from the first case were filed, the Court was told the interest could be handled in one of two ways, (1) the interest could be noted on the UPDROA with the statement, and when the award was paid out, the interest could be added onto the award at that time and recorded, or (2) the interest could be recorded each month as it was earned. I selected the first method and did not record the interest monthly, I only noted the amount earned and then at the time of payout, I recorded the entire amount of interest earned prior to issuing the draft. Apparently the information given to me was not in compliance with the auditor's office, any future investment accounts will be handled accordingly.



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BUTLER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Butler 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 the Butler 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 Butler County Court, and the appropriate Federal and regulatory agencies, and it 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.

March 12, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor

BUTLER COUNTY COURT
DAVID CITY, 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	\$ 66,321	\$ 295,058	\$ 304,287	\$ 57,092
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,628	\$ 38,318	\$ 37,263	\$ 3,683
Law Enforcement Fees	340	3,078	3,060	358
State Judges Retirement Fund	1,444	10,460	10,682	1,222
Court Administrative Fees	2,703	21,126	21,744	2,085
Legal Services Fees	1,055	10,950	10,806	1,199
Due to County Treasurer:				
Regular Fines	6,051	96,764	93,068	9,747
Overload Fines	-	4,675	4,600	75
Regular Fees	495	10,765	10,225	1,035
Due to Municipalities:				
Regular Fines	10	50	60	-
Regular Fees	-	973	959	14
Trust Fund Payable	51,595	97,899	111,820	37,674
Total Liabilities	<u>\$ 66,321</u>	<u>\$ 295,058</u>	<u>\$ 304,287</u>	<u>\$ 57,092</u>

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and Deposits	\$ 126,329	\$ 316,645	\$ 376,653	\$ 66,321
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,505	\$ 40,579	\$ 41,456	\$ 2,628
Law Enforcement Fees	509	3,566	3,735	340
State Judges Retirement Fund	1,981	11,806	12,343	1,444
Court Administrative Fees	3,159	23,391	23,847	2,703
Legal Services Fees	1,524	12,577	13,046	1,055
Due to County Treasurer:				
Regular Fines	7,705	96,255	97,909	6,051
Overload Fines	175	2,025	2,200	-
Regular Fees	14,082	8,738	22,325	495
Due to Municipalities:				
Regular Fines	10	140	140	10
Regular Fees	-	1,274	1,274	-
Trust Fund Payable	93,679	116,294	158,378	51,595
Total Liabilities	\$ 126,329	\$ 316,645	\$ 376,653	\$ 66,321

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Butler 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 Butler 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 2008). 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.