

**ATTESTATION REPORT  
OF  
LANCASTER COUNTY COURT  
JULY 1, 2012 THROUGH JUNE 30, 2013**

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**Issued on February 12, 2014**

# LANCASTER COUNTY COURT

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# LANCASTER COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Lancaster 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 certain phases of a transaction from beginning to end.
2. ***Records Retention:*** The County Court did not retain financial records according to the Nebraska Records Retention and Disposition Schedule.

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.

# LANCASTER 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 of segregation of duties. Specifically, one person was capable of adjusting case balances and issuing nonmonetary receipts, and the same individual was responsible for the review of such transactions. A lack of segregation of duties increases the risk that possible errors or irregularities will go undetected. We have noted this comment in previous examinations.

We recommend the County Court consider segregating the duties of reviewing monthly reports. We also recommend the County Court and the Nebraska State Court Administrator review this situation.

*County Court's Response: Lancaster County Court has implemented several procedures to ensure good internal control. In addition to those put in place during the audit year, we now have a staff person with no receipting authority reviewing nonmonetary receipts.*

### 2. Records Retention

Nebraska Record Retention Schedule 18, Section 18-10-5-1, Fiscal Reports, as approved by the Nebraska State Records Administrator, provides that monthly JUSTICE reports dealing with transactions, action & financial responsibilities of the courts may be disposed of after three years, provided an audit has been completed. Sound accounting practices also require adequate financial records and supporting documentation be retained by the County Court.

The fee and fine disbursement summaries were not kept for five State and County checks that were voided in February 2013.

When records are not retained in accordance with the State's records retention guidelines and are not readily available, there is an increased risk financial activity is not reported properly.

We recommend the County Court retain all records, at a minimum, according to the Nebraska Records Retention Schedule. We further recommend the County Court retain copies to support any voided State and County fee and fine checks.

*County Court's Response: Lancaster County Court staff know and understand the importance of records retention. We will implement procedures to ensure we are in compliance with all records retention rules.*



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## LANCASTER COUNTY COURT

### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lancaster County Court as of and for the fiscal year ended June 30, 2013. The County Court's management is responsible for the Schedule. 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 Schedule 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 Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Lancaster County Court, as of June 30, 2013, and the related activity for the fiscal year 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 Schedule 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 Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

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 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.

January 27, 2014

Deann Haeffner, CPA  
Assistant Deputy Auditor

**LANCASTER COUNTY COURT**  
**LINCOLN, 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>Balance</u>
	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<b>ASSETS</b>				
Cash and Deposits	\$ 2,239,835	\$ 11,355,430	\$ 12,122,575	\$ 1,472,690
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 54,686	\$ 1,347,410	\$ 1,351,033	\$ 51,063
Law Enforcement Fees	5,947	144,659	145,098	5,508
State Judges Retirement Fund	18,910	464,732	465,952	17,690
Court Administrative Fees	34,898	794,346	802,343	26,901
Legal Services Fees	19,888	494,927	496,165	18,650
Due to County Treasurer:				
Regular Fines	54,091	1,278,679	1,281,560	51,210
Overload Fines	6,650	56,700	58,200	5,150
Regular Fees	13,203	239,146	234,823	17,526
Due to Municipalities:				
Regular Fines	96,630	2,400,972	2,406,145	91,457
Regular Fees	7,336	172,146	174,001	5,481
Trust Fund Payable	1,927,596	3,961,713	4,707,255	1,182,054
<b>Total Liabilities</b>	<u>\$ 2,239,835</u>	<u>\$ 11,355,430</u>	<u>\$ 12,122,575</u>	<u>\$ 1,472,690</u>

The accompanying notes are an integral part of the schedule.

**LANCASTER COUNTY COURT**  
**NOTES TO FINANCIAL SCHEDULE**  
For the Fiscal Year Ended June 30, 2013

**1. Criteria**

**A. Reporting Entity**

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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.