

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on January 5, 2015

ADAMS COUNTY COURT

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ADAMS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Adams 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. ***Unclaimed Property:*** The County Court did not report and remit trust balances to the State Treasurer that were over three years old, as required by State statute.
3. ***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.
4. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not reviewed, with corrective action taken when necessary to resolve issues.

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. Where no response has been included, the County Court declined to respond. 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.

ADAMS 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 included 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.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years as abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) provides that any unclaimed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year.

As of June 30, 2014, we noted 35 checks, totaling \$2,707, issued from the County Court's main checking account, and 72 checks, totaling \$1,961, issued from the County Court's Witness Fee checking account. These checks have remained outstanding for more than three years and were not reported and remitted to the State Treasurer by November 1, 2013, as required by the Unclaimed Property Act. These checks continued to remain outstanding at June 30, 2014.

When outstanding checks are not followed up on and remitted as abandoned property, there is an increased risk of loss, theft, or misuse. This comment was included in prior year reports.

We recommend the County Court work to remit promptly all unclaimed property in its possession in accordance with State Statute.

County Court's Response: I was under the impression that I had completed the unclaimed property for the JUSTICE account and have filed a report every year for the past several years. The witness fee account has been neglected and I will make a concerted effort to get that caught up and submitted to unclaimed property.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. 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 20 overdue balances, 19, totaling \$12,987, 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 July 27, 2012, overdue balances, excluding restitution judgments, totaled \$223,897. As of December 5, 2014, overdue balances, excluding restitution judgments, totaled \$234,835, an increase of \$10,938 or 4.9%.

This comment was included in prior year reports.

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

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

County Court's Response: That report got out of hand from the beginning of the use of JUSTICE. Mostly from lack of understanding. I would like some suggestion on how to address this issue with the JUSTICE BA's.

4. Monthly Report Review

Good internal control requires the County Court to have procedures in place that provide an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report on Non-Case Receipts. In addition, sound accounting practices require procedures to be in place that ensure the complete and accurate posting of defendant payments to their respective cases.

During testing of the June 30, 2013, and June 30, 2014, case and non-case balances, the following was noted:

- Twenty-three of 30 cases tested, in the amount of \$6,977, did not have subsequent follow-up actions by the County Court to review and/or resolve the balances. These balances included, in part: defendant payments, which had been applied to the defendants' cases but not to their respective fee and fine amounts due; defendant appearance bonds, which had been inactive for a significant time; and unrefunded defendant overpayments due to application errors of the County Court.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. Monthly Report Review (Concluded)

- Six of 10 non-case balances tested, totaling \$635, related to unfiled citations, which the County Court did not review in an attempt to resolve further.

This comment was included in prior year reports.

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities not being detected and/or resolved in a timely manner.

We strongly recommend the County Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

County Court's Response: We have begun reviewing those reports more closely.



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ADAMS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Adams County Court as of and for the fiscal years ended June 30, 2014, and June 30, 2013. 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 Adams County Court, as of June 30, 2014, and June 30, 2013, 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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 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.

A handwritten signature in black ink that reads "Deann Haeffner CPA". The signature is written in a cursive style.

December 9, 2014

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2014

	<u>Balance</u>		<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
ASSETS				
Cash and Deposits	\$ 166,008	\$ 1,356,976	\$ 1,247,840	\$ 275,144
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,868	\$ 153,918	\$ 156,884	\$ 10,902
Law Enforcement Fees	1,244	12,883	13,153	974
State Judges Retirement Fund	5,146	47,590	49,179	3,557
Court Administrative Fees	8,393	86,991	89,598	5,786
Legal Services Fees	4,358	49,185	49,618	3,925
Due to County Treasurer:				
Regular Fines	26,597	337,624	341,263	22,958
Overload Fines	975	13,450	12,275	2,150
Regular Fees	4,226	27,053	30,030	1,249
Witness Fee Fund	1,254	2,000	2,065	1,189
Due to Municipalities:				
Regular Fines	550	4,157	4,432	275
Regular Fees	876	8,235	8,611	500
Trust Fund Payable	98,521	613,890	490,732	221,679
Total Liabilities	<u>\$ 166,008</u>	<u>\$ 1,356,976</u>	<u>\$ 1,247,840</u>	<u>\$ 275,144</u>

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
HASTINGS, 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	\$ 184,121	\$ 1,211,601	\$ 1,229,714	\$ 166,008
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 15,512	\$ 155,187	\$ 156,831	\$ 13,868
Law Enforcement Fees	2,273	13,363	14,392	1,244
State Judges Retirement Fund	9,067	49,393	53,314	5,146
Court Administrative Fees	12,939	91,356	95,902	8,393
Legal Services Fees	7,107	50,651	53,400	4,358
Due to County Treasurer:				
Regular Fines	30,631	334,766	338,800	26,597
Overload Fines	2,100	15,400	16,525	975
Regular Fees	7,410	27,218	30,402	4,226
Witness Fee Fund	970	3,000	2,716	1,254
Due to Municipalities:				
Regular Fines	625	8,272	8,347	550
Regular Fees	867	8,993	8,984	876
Trust Fund Payable	94,620	454,002	450,101	98,521
Total Liabilities	<u>\$ 184,121</u>	<u>\$ 1,211,601</u>	<u>\$ 1,229,714</u>	<u>\$ 166,008</u>

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2014, and June 30, 2013

1. Criteria

A. Reporting Entity

The Adams 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 Adams 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.