

**ATTESTATION REPORT
OF
BOX BUTTE COUNTY COURT
JULY 1, 2012 THROUGH JUNE 30, 2014**

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 2, 2015

BOX BUTTE COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<u>Financial Section</u>	
Independent Accountant's Report	5 - 6
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2014	7
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2013	8
Notes to Financial Schedules	9

BOX BUTTE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Box Butte 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. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure such balances were complete and accurate.
3. ***Witness Fee Account:*** The County Court did not reconcile the witness fee account to a set dollar amount, and it was not listed on the County Budget Message.

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.

BOX BUTTE 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.

County Court's Response: Box Butte County Court is a smaller court employing only myself, one full-time and a part-time employee. Each of us issue receipts of all types. However, in order to insure proper segregation of duties, I reconcile the monthly bank statement, and the Assistant Clerk processes the deposits on a daily basis. She makes sure that the receipts match the deposit total each day. And, of course, the financial institution balances the deposit also.

In an effort to address the segregation of duties concern, the State Court Administrator recently designated several "extra duty specialists" to review all of the county courts financial transactions on a monthly basis.

2. Review of Trust Balances

Good internal control includes procedures to ensure the County Court performs periodic, detailed reviews of trust balances reflected on the County Court's monthly financial reports. Also, the County Court Procedures Manual, issued by the State Court Administrator, says that "bond proceeds shall be returned to the defendant upon the performance of all appearances."

During review of the County Court's fiscal year end trust balances, we noted the following:

- Bond balances, totaling \$2,655, from six criminal cases that were fully satisfied, were remitted to Unclaimed Property after three years without any prior attempt to refund the money to the individuals owed.

BOX BUTTE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Review of Trust Balances (Concluded)

- Bond balances, totaling \$1,528, from six criminal cases that were fully satisfied, were not attempted to be paid out in a timely manner.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

We recommend the County Court implement procedures to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.

County Court's Response: Each year, when processing the Unclaimed Property Report, the court does make an attempt to verify current addresses from the original file, or from other cases that may be filed for that person. In reference to the 6 bonds that were not paid out in a timely manner, one Defendant was released to Immigration and Customs Enforcement, and another was doing time at the State Penitentiary at the time the report was completed. There was a letter sent to another Defendant notifying him that he had bond money in our possession, but he contacted the office after the funds were released to the State Treasurer. In previous years, and currently, with a fully staffed office, reports are reviewed monthly to make certain that bonds held are paid out in a timely manner.

3. Witness Fee Account

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) gives the County Board the sole authority to establish petty cash funds “for the purpose of making payments for subsidiary general operational expenditures and purchases.” The Board is required to set, by resolution of the County Board, the amount of the petty cash funds and include such authorization in the County Board budget message. Furthermore, good internal control requires all petty cash funds to be maintained at the authorized amount.

The County Court maintains a separate checking account for the payment of witness fees. The County Board was the original source of this fund. As a result, the County Court periodically submits claims to the County Board for replenishment of this witness fee fund; however, the fund is not reconciled to a set dollar amount.

When a petty cash fund is not maintained at the approved amount, there is an increased risk of error or loss of funds.

We recommend all petty cash funds be maintained at the authorized amount and that amount be stated on the County Board budget message.

BOX BUTTE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Witness Fee Account (Concluded)

County Court's Response: In April 2000, the Box Butte County Court began using the state's JUSTICE program. The court has continued to maintain a separate checking account for witness fees. This separate account is balanced on a monthly basis. However, in all previous audits, the recommendation to balance to a set dollar amount has never been raised. This matter is being remedied and should not be an issue on the next audit.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

BOX BUTTE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Box Butte 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 Box Butte 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.

April 29, 2015



Philip J. Olsen, CPA, CISA
Audit Manager

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

For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and Deposits	\$ 50,619	\$ 445,843	\$ 444,171	\$ 52,291
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,745	\$ 55,516	\$ 54,588	\$ 4,673
Law Enforcement Fees	279	4,343	4,267	355
State Judges Retirement Fund	822	16,270	15,796	1,296
Court Administrative Fees	1,825	24,152	24,207	1,770
Legal Services Fees	905	16,270	15,768	1,407
Due to County Treasurer:				
Regular Fines	8,974	101,648	101,006	9,616
Overload Fines	-	3,400	3,325	75
Regular Fees	256	8,514	7,792	978
Petty Cash Fund	3,728	8,162	9,105	2,785
Due to Municipalities:				
Regular Fines	35	1,612	1,527	120
Regular Fees	-	-	-	-
Trust Fund Payable	30,050	205,956	206,790	29,216
Total Liabilities	\$ 50,619	\$ 445,843	\$ 444,171	\$ 52,291

The accompanying notes are an integral part of the schedule.

BOX BUTTE COUNTY COURT
ALLIANCE, 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	\$ 67,508	\$ 471,791	\$ 488,680	\$ 50,619
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,509	\$ 55,465	\$ 57,229	\$ 3,745
Law Enforcement Fees	408	4,492	4,621	279
State Judges Retirement Fund	1,580	16,220	16,978	822
Court Administrative Fees	2,265	26,504	26,944	1,825
Legal Services Fees	1,559	16,599	17,253	905
Due to County Treasurer:				
Regular Fines	12,719	116,406	120,151	8,974
Overload Fines	250	5,275	5,525	-
Regular Fees	416	9,559	9,719	256
Petty Cash Fund	-	7,380	3,652	3,728
Due to Municipalities:				
Regular Fines	107	837	909	35
Regular Fees	74	12	86	-
Trust Fund Payable	42,621	213,042	225,613	30,050
Total Liabilities	<u>\$ 67,508</u>	<u>\$ 471,791</u>	<u>\$ 488,680</u>	<u>\$ 50,619</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Box Butte 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 Box Butte 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.