

**ATTESTATION REPORT  
OF  
CUSTER COUNTY COURT**

**JULY 1, 2012 THROUGH JUNE 30, 2014**

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**Issued on May 12, 2015**

# CUSTER COUNTY COURT

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# CUSTER COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Custer 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. ***Insufficient Pledged Collateral:*** The County Court did not have sufficient pledged collateral to protect deposits at all times during the audit period.

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.

# CUSTER 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: Vicki Kuhlmann is my financial specialist and reviews and monitors my financial reports.*

### 2. Insufficient Pledge Collateral

Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) states, in relevant part:

*No deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation [FDIC] shall be made to accumulate in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.*

During the audit period, we noted 39 days when deposits of the County Court were not fully insured by the FDIC or additional securities. The uninsured amounts ranged from \$1,445 to \$412,249.

We recommend the County Court ensure there is sufficient FDIC and/or pledged collateral for all bank deposits at all times.

*County Court's Response: I am aware of the insufficient pledged collateral. My corrective action is to review my daily balances to ensure that I am properly pledged at all times. I plan to visit with my bank to adapt a plan so that this does not occur in the future.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### CUSTER COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

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

May 4, 2015

  
Deann Haeffner, CPA  
Assistant Deputy Auditor

**CUSTER COUNTY COURT**  
**BROKEN BOW, 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
<b>ASSETS</b>				
Cash and Deposits	\$ 43,569	\$ 1,128,653	\$ 1,017,053	\$ 155,169
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 5,477	\$ 58,425	\$ 58,809	\$ 5,093
Law Enforcement Fees	382	4,769	4,836	315
State Judges Retirement Fund	1,413	16,406	16,650	1,169
Court Administrative Fees	2,460	27,949	28,708	1,701
Legal Services Fees	1,436	16,966	17,186	1,216
Due to County Treasurer:				
Regular Fines	8,468	106,935	109,788	5,615
Overload Fines	825	5,050	5,875	-
Regular Fees	963	4,867	5,558	272
Petty Cash Fund	300	-	-	300
Due to Municipalities:				
Regular Fines	50	735	735	50
Regular Fees	-	-	-	-
Trust Fund Payable	21,795	886,551	768,908	139,438
<b>Total Liabilities</b>	<b>\$ 43,569</b>	<b>\$ 1,128,653</b>	<b>\$ 1,017,053</b>	<b>\$ 155,169</b>

The accompanying notes are an integral part of the schedule.

**CUSTER COUNTY COURT**  
**BROKEN BOW, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>				
Cash and Deposits	\$ 29,518	\$ 434,811	\$ 420,760	\$ 43,569
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 4,339	\$ 51,573	\$ 50,435	\$ 5,477
Law Enforcement Fees	309	4,002	3,929	382
State Judges Retirement Fund	1,255	13,612	13,454	1,413
Court Administrative Fees	1,856	26,069	25,465	2,460
Legal Services Fees	1,272	14,719	14,555	1,436
Due to County Treasurer:				
Regular Fines	6,937	91,148	89,617	8,468
Overload Fines	-	8,350	7,525	825
Regular Fees	1,357	5,104	5,498	963
Petty Cash Fund	-	300	-	300
Due to Municipalities:				
Regular Fines	-	100	50	50
Trust Fund Payable	12,193	219,834	210,232	21,795
Total Liabilities	\$ 29,518	\$ 434,811	\$ 420,760	\$ 43,569

The accompanying notes are an integral part of the schedule.



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

**1. Criteria**

**A. Reporting Entity**

The Custer 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 Custer 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.