

**ATTESTATION REPORT  
OF  
DEUEL COUNTY COURT**

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

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**Issued on May 11, 2015**

# DEUEL COUNTY COURT

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# DEUEL COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Deuel 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. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure balances were current, proper, and in compliance with State statute.
5. ***Restrictive Endorsement of Checks:*** The County Court did not restrictively endorse all checks when received.
6. ***Non-Monetary Receipt Documentation:*** The County Court did not have documentation to support a non-monetary receipt.

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. The County Court declined to respond.

# DEUEL 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 to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), provides 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 March 24, 2015, we noted three checks, totaling \$19.50, which remained unclaimed and were not remitted to the State Treasurer's office as unclaimed property in accordance with the above State statute. These checks ranged in dates from March 29, 2011, to April 28, 2011. This comment was included in prior year examination reports.

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

### 3. Overdue Balances

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

# DEUEL COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 3. **Overdue Balances** (Concluded)

During testing of five overdue balances, three, totaling \$723, 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 the declaration of certain overdue balances as uncollectible. As of February 7, 2015, overdue balances, excluding restitution judgments, totaled \$19,900.

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. A similar comment was included in our prior examination report.

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

### 4. **Review of Trust Balances**

Good internal controls and sound accounting practices require all trust balances to be reviewed on a timely basis to ensure that all balances are proper and current. During review of the County Court's trust balances, we noted the following:

- In two instances, bonds were declared forfeited; however, as of March 25, 2015, the bonds had not yet been adjusted to the forfeiture account.
- In three instances, payments were received for traffic cases, but the payments were not applied to fees and fines.
- In one instance, a bond was receipted on May 7, 2012, with no documentation on file supporting whether the bond was forfeited or follow-up was performed.

When trust balances are not reviewed on a consistent and timely basis, there is an increased risk trust balances are not correct and current.

We recommend the County Court implement procedures to ensure a timely review of all trust balances is performed to ensure balances are correct and current.

# DEUEL COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 5. **Restrictive Endorsement of Checks**

Good internal control requires the restrictive endorsement of checks immediately upon receipt.

It was noted that three checks totaling \$21,000 were not restrictively endorsed at time of Cash Count.

Without consistent procedures for the immediate endorsement of checks, there is an increased risk of theft or loss of County Court funds.

We recommend the County Court strengthen control procedures by immediately endorsing all checks upon receipt.

### 6. **Non-monetary Receipt Documentation**

Good internal control requires supporting documentation to be available for all non-monetary receipt transactions in order to ensure receipts are accurate and proper.

During our review of non-monetary receipts, we noted one non-monetary receipt totaling \$234 could not be traced to adequate documentation. When adequate documentation is not maintained to support non-monetary receipts, there is an increased risk that improper receipts could be made.

We recommend the County Court implement procedures to ensure adequate documentation is on file to support all non-monetary receipts.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### DEUEL COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Deuel 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 Deuel 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 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 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 24, 2015



Don Dunlap, CPA  
Assistant Deputy Auditor

**DEUEL COUNTY COURT**  
**CHAPPELL, 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	\$ 44,379	\$ 226,709	\$ 250,860	\$ 20,228
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 3,575	\$ 30,206	\$ 31,955	\$ 1,826
Law Enforcement Fees	269	3,150	3,173	246
State Judges Retirement Fund	729	9,183	9,126	786
Court Administrative Fees	903	14,375	14,256	1,022
Legal Services Fees	850	9,868	9,916	802
Due to County Treasurer:				
Regular Fines	8,786	84,944	89,481	4,249
Overload Fines	100	4,475	4,125	450
Regular Fees	-	1,762	1,513	249
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	10	-	10	-
Regular Fees	-	-	-	-
Trust Fund Payable	29,157	68,746	87,305	10,598
<b>Total Liabilities</b>	<b>\$ 44,379</b>	<b>\$ 226,709</b>	<b>\$ 250,860</b>	<b>\$ 20,228</b>

The accompanying notes are an integral part of the schedule.

**DEUEL COUNTY COURT**  
**CHAPPELL, 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>Deductions</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	\$ 24,276	\$ 282,782	\$ 262,679	\$ 44,379
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 2,632	\$ 33,546	\$ 32,603	\$ 3,575
Law Enforcement Fees	351	3,211	3,293	269
State Judges Retirement Fund	1,042	9,382	9,695	729
Court Administrative Fees	1,260	12,598	12,955	903
Legal Services Fees	1,129	10,236	10,515	850
Due to County Treasurer:				
Regular Fines	6,707	97,399	95,320	8,786
Overload Fines	729	3,171	3,800	100
Regular Fees	120	2,618	2,738	-
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	-	10	-	10
Regular Fees	-	-	-	-
Trust Fund Payable	<u>10,306</u>	<u>110,611</u>	<u>91,760</u>	<u>29,157</u>
<b>Total Liabilities</b>	<u><u>\$ 24,276</u></u>	<u><u>\$ 282,782</u></u>	<u><u>\$ 262,679</u></u>	<u><u>\$ 44,379</u></u>

The accompanying notes are an integral part of the schedule.

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

**1. Criteria**

**A. Reporting Entity**

The Deuel 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 Deuel 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.