

**ATTESTATION REPORT
OF
DUNDY COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on April 10, 2015

DUNDY COUNTY COURT

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DUNDY COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Dundy 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. ***Case Balance Review:*** The Monthly Case Balance Report did not have corrective actions 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. 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.

DUNDY 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: Dundy County Court realizes that authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated activities, we also realize the lack of personnel prohibiting us from having proper internal control structure design is based upon the size and caseload of Dundy County.

We know that it would be a financial hardship on the taxpayers of the State of Nebraska to add more personnel to Dundy County to alleviate this issue.

Financial specialists are now monitoring the financial records of Dundy County remotely.

The one person staff makes a conscious effort to ensure all duties are completed accurately and in a timely manner.

2. Case Balance Review

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

During testing of case balances, the following was noted:

- One traffic ticket case balance tested, in the amount of \$123, had been paid in full, but the County Court never applied it to the defendant's citation.

DUNDY COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Case Balance Review (Concluded)

- One criminal case balance tested, in the amount of \$148, had been paid in full but never applied by the County Court to the defendant's citation, subsequently resulting in the erroneous suspension of the defendant's license.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of errors, omissions, and/or irregularities not being detected and/or resolved in a timely manner.

We recommend the County Court perform ongoing detailed review of all monthly financial reports, including the Monthly Case Balance Report, to ensure trust balances are reviewed for completeness, accuracy, and proper disposition.

County Court's Response: Both cases referred to in the testing had been corrected before the actual audit took place. In reviewing these cases, both were internet payments where they did not automatically close. The Dundy County Court has begun to review all internet payments to confirm that the case has closed and will also be reviewing the Monthly Case Balance report closely.



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DUNDY COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

March 30, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor

DUNDY COUNTY COURT
BENKELMAN, 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>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2014</u>
ASSETS				
Cash and Deposits	\$ 17,633	\$ 98,343	\$ 100,289	\$ 15,687
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,460	\$ 14,038	\$ 14,253	\$ 1,245
Law Enforcement Fees	173	1,353	1,404	122
State Judges Retirement Fund	502	4,197	4,315	384
Court Administrative Fees	806	8,799	8,288	1,317
Legal Services Fees	536	4,573	4,679	430
Due to County Treasurer:				
Regular Fines	4,572	33,705	35,366	2,911
Overload Fines	-	16,675	16,575	100
Regular Fees	40	346	369	17
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	50	50	50	50
Regular Fees	-	-	-	-
Trust Fund Payable	9,494	14,607	14,990	9,111
Total Liabilities	<u>\$ 17,633</u>	<u>\$ 98,343</u>	<u>\$ 100,289</u>	<u>\$ 15,687</u>

The accompanying notes are an integral part of the schedule.

DUNDY COUNTY COURT
BENKELMAN, 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
ASSETS				
Cash and Deposits	\$ 18,894	\$ 97,318	\$ 98,579	\$ 17,633
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,292	\$ 13,747	\$ 13,579	\$ 1,460
Law Enforcement Fees	100	1,368	1,295	173
State Judges Retirement Fund	312	4,490	4,300	502
Court Administrative Fees	672	9,634	9,500	806
Legal Services Fees	338	4,629	4,431	536
Due to County Treasurer:				
Regular Fines	2,340	33,039	30,807	4,572
Overload Fines	225	4,250	4,475	-
Regular Fees	106	579	645	40
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	75	275	300	50
Regular Fees	-	-	-	-
Trust Fund Payable	13,434	25,307	29,247	9,494
Total Liabilities	\$ 18,894	\$ 97,318	\$ 98,579	\$ 17,633

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Dundy 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 Dundy 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.