

**ATTESTATION REPORT
OF
FURNAS COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on May 18, 2015

FURNAS COUNTY COURT

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FURNAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Furnas 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. ***Overdue Balances:*** The County Court did not review its overdue case balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
3. ***Improper Non-Monetary Receipts:*** The County Court waived court costs that, according to State statute, are non-waiverable. Non-monetary receipts issued by the County Court lacked appropriate supporting documentation.

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.

FURNAS 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: Because Furnas County is a one-person office I am solely responsible for conducting all duties within the court.

2. Overdue Balances

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

During testing of five overdue balances, four, totaling \$307, 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 April 23, 2015, overdue balances, excluding restitution judgments, totaled \$13,605.

Without 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 the timely collection and/or resolution of overdue case balances.

County Court's Response: The overdue case balance reports will now be reviewed a minimum of once per month to ensure collection and/or resolution of such balances.

FURNAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. **Improper Non-Monetary Receipts**

Neb. Rev. Stat. § 29-2709 (Reissue 2008) provides, in relevant part, the following:

When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703, two dollars of the fee provided in section 33-107.01, the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived

Additionally, good internal controls require supporting documentation to be available for all non-monetary receipt transactions in order to ensure receipts are accurate and proper.

We noted the following during our review of non-monetary receipts:

- One instance where \$17 of non-waiverable court costs was incorrectly waived.
- Two jail receipts, totaling \$232, could not be traced to adequate documentation. In one instance, the County Court had not obtained documentation to support a \$31 jail credit issued by the Court. In another instance, the defendant did not sit out enough time in jail to cover the \$201 non-monetary receipt.

When non-waiverable costs are waived, the County Court is not in compliance with State statute. Additionally, when complete and accurate supporting documentation is not on file to support non-monetary receipts issued, there is an increased risk of loss, theft, misuse, or improper payment of monies.

We recommend the County Court waive court fees only when provided for in State statute. Additionally, we recommend the County Court implement procedures to ensure adequate documentation is on file to support all non-monetary receipts.

County Court's Response: I have reviewed the cases referred to in the report and have taken measures to correct these oversights and will see that proper documentation accompanies these receipts.



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FURNAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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



Pat Reding, CPA
Assistant Deputy Auditor

April 29, 2015

FURNAS COUNTY COURT
BEAVER CITY, 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	\$ 11,047	\$ 157,233	\$ 154,369	\$ 13,911
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,200	\$ 35,287	\$ 35,512	\$ 1,975
Law Enforcement Fees	221	1,933	1,925	229
State Judges Retirement Fund	752	7,136	7,063	825
Court Administrative Fees	1,337	14,151	14,424	1,064
Legal Services Fees	787	7,120	7,107	800
Due to County Treasurer:				
Regular Fines	2,711	38,059	38,475	2,295
Overload Fines	-	4,175	4,175	-
Regular Fees	162	2,285	2,262	185
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	25	235	260	-
Trust Fund Payable	2,802	46,852	43,166	6,488
Total Liabilities	<u>\$ 11,047</u>	<u>\$ 157,233</u>	<u>\$ 154,369</u>	<u>\$ 13,911</u>

The accompanying notes are an integral part of the schedule.

FURNAS COUNTY COURT
BEAVER CITY, 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	\$ 29,034	\$ 169,004	\$ 186,991	\$ 11,047
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,656	32,054	\$ 33,510	\$ 2,200
Law Enforcement Fees	244	2,353	2,376	221
State Judges Retirement Fund	884	8,453	8,585	752
Court Administrative Fees	1,468	19,079	19,210	1,337
Legal Services Fees	842	8,519	8,574	787
Due to County Treasurer:				
Regular Fines	3,680	36,083	37,052	2,711
Overload Fines	475	925	1,400	-
Regular Fees	294	1,707	1,839	162
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	125	135	235	25
Trust Fund Payable	17,316	59,696	74,210	2,802
Total Liabilities	<u>\$ 29,034</u>	<u>\$ 169,004</u>	<u>\$ 186,991</u>	<u>\$ 11,047</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Furnas 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 Furnas 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.