

**ATTESTATION REPORT
OF
HARLAN 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 May 18, 2015

HARLAN COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2014	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2013	7
Notes to Financial Schedules	8

HARLAN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Harlan 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 balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.

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.

HARLAN 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: Financial Specialist review the Harlan County bank statements to make sure that the deposits are being made daily and check the end of the month reports. This deficiency will always be an on-going issue in this Court as well as all other smaller courts, due to insufficient staffing.

2. 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.

During testing of five overdue balances, three, totaling \$324, 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 25, 2015, overdue balances, excluding restitution judgments, totaled \$12,646.

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.

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

HARLAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Overdue Balances** (Concluded)

County Court's Response: The concerns about the overdue balances were partially due to the previous Clerk Magistrate being very sick. Corrective action has been completed on some of these overdue actions and the remaining overdue actions are being reviewed by the County Attorney and Judge.



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

HARLAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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


Deann Haeffner, CPA
Assistant Deputy Auditor

HARLAN COUNTY COURT
ALMA, 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	\$ 16,859	\$ 140,014	\$ 137,097	\$ 19,776
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,709	\$ 25,721	\$ 27,317	\$ 2,113
Law Enforcement Fees	252	2,000	2,027	225
State Judges Retirement Fund	900	6,661	6,904	657
Court Administrative Fees	1,242	10,726	10,756	1,212
Legal Services Fees	826	6,660	6,756	730
Due to County Treasurer:				
Regular Fines	4,133	50,267	47,298	7,102
Overload Fines	225	4,800	4,950	75
Regular Fees	2	2,049	1,453	598
Due to Municipalities:				
Regular Fines	-	316	302	14
Trust Fund Payable	5,570	30,814	29,334	7,050
Total Liabilities	\$ 16,859	\$ 140,014	\$ 137,097	\$ 19,776

The accompanying notes are an integral part of the schedule.

HARLAN COUNTY COURT
ALMA, 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	\$ 12,337	\$ 174,022	\$ 169,500	\$ 16,859
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,782	\$ 24,357	\$ 22,430	\$ 3,709
Law Enforcement Fees	268	2,571	2,587	252
State Judges Retirement Fund	760	8,099	7,959	900
Court Administrative Fees	1,402	18,321	18,481	1,242
Legal Services Fees	852	8,550	8,576	826
Due to County Treasurer:				
Regular Fines	5,115	52,784	53,766	4,133
Overload Fines	-	2,325	2,100	225
Regular Fees	36	1,269	1,303	2
Due to Municipalities:				
Regular Fines	-	168	168	-
Trust Fund Payable	2,122	55,578	52,130	5,570
Total Liabilities	\$ 12,337	\$ 174,022	\$ 169,500	\$ 16,859

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Harlan 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 Harlan 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.