

**ATTESTATION REPORT
OF
HITCHCOCK COUNTY COURT
JULY 1, 2012 THROUGH JUNE 30, 2014**

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Issued on April 20, 2015

HITCHCOCK COUNTY COURT

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HITCHCOCK COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Hitchcock 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. ***Non-Monetary Receipt Documentation:*** The County Court did not have documentation to support a non-monetary receipt.
3. ***Documentation of Citation Amendments:*** The County Court did not have documentation to support a citation amendment.

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.

HITCHCOCK 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: The Hitchcock County Court realizes that authorization or approval of transactions, recording of transactions and custody of assets should normally be segregated activities. However, due to the size and caseload of Hitchcock County, it would be a financial hardship on the taxpayers of the State of Nebraska to add more personnel to alleviate this issue. It should be noted that there are financial specialists who now monitor the financial records of Hitchcock County on a remote basis.

2. 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 \$10 that 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.

County Court's Response: The case involved was a straight probation case. After the individual met with the probation office, it was determined the offender assessment was not necessary and the court office was notified by the probation office via an email, which I now know should have been printed and included in the file. We have since devised an Order for the probation office to submit when this occurs. The Order will be file stamped and included in the case file from here on out.

HITCHCOCK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Documentation of Citation Amendments

Good internal control and sound business practices require amended traffic citations to have adequate supporting documentation to support the amendment.

During our review of case files, one citation's fine amount did not agree to the amount receipted into JUSTICE. The County Attorney amended the citation after the fines were paid. Documentation was not on file to support the fine amount recorded in JUSTICE. Without documentation to support citation amendments, there is an increased risk for the loss or misuse of funds.

We recommend the Court obtain documentation from the County Attorney when the fine amount on a citation is amended.

County Court's Response: The Hitchcock County Attorney made a plea agreement with a defendant on a speeding ticket. It was agreed the speed would be lowered, but the fine and costs would remain the same. The Court is not a part of plea agreements. The defendant sent in his payment and the county attorney amended the citation and initialed and dated his amendment. After a lengthy discussion between the county attorney and auditor, the county attorney has agreed to also include the wording that the fine and costs are to remain the same before he initials and dates the amendment.



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HITCHCOCK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Hitchcock 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 Hitchcock 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 25, 2015



Don Dunlap, CPA
Assistant Deputy Auditor

HITCHCOCK COUNTY COURT
TRENTON, 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	\$ 17,478	\$ 180,359	\$ 177,860	\$ 19,977
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,115	\$ 28,047	\$ 27,431	\$ 2,731
Law Enforcement Fees	275	2,598	2,599	274
State Judges Retirement Fund	781	8,095	8,060	816
Court Administrative Fees	1,094	17,010	16,348	1,756
Legal Services Fees	875	8,788	8,749	914
Due to County Treasurer:				
Regular Fines	6,257	58,186	57,098	7,345
Overload Fines	325	23,025	21,650	1,700
Regular Fees	152	5,390	4,864	678
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	20	1,325	1,027	318
Regular Fees	-	40	40	-
Trust Fund Payable	5,584	27,856	29,995	3,445
Total Liabilities	<u>\$ 17,478</u>	<u>\$ 180,360</u>	<u>\$ 177,861</u>	<u>\$ 19,977</u>

The accompanying notes are an integral part of the schedule.

HITCHCOCK COUNTY COURT
TRENTON, 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	\$ 13,527	\$ 159,288	\$ 155,337	\$ 17,478
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,295	\$ 23,349	\$ 23,529	\$ 2,115
Law Enforcement Fees	254	2,492	2,471	275
State Judges Retirement Fund	795	7,698	7,712	781
Court Administrative Fees	1,483	14,172	14,561	1,094
Legal Services Fees	848	8,336	8,309	875
Due to County Treasurer:				
Regular Fines	4,172	55,807	53,722	6,257
Overload Fines	472	15,153	15,300	325
Regular Fees	443	3,859	4,150	152
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	20	260	260	20
Regular Fees	-	-	-	-
Trust Fund Payable	2,745	28,162	25,323	5,584
Total Liabilities	<u>\$ 13,527</u>	<u>\$ 159,288</u>	<u>\$ 155,337</u>	<u>\$ 17,478</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Hitchcock 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 Hitchcock 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.