

**ATTESTATION REPORT
OF
KEITH COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on April 28, 2015

KEITH 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

KEITH COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Keith 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 Receipts and Documentation:*** The County Court did not claim non-waiverable fees and lacked documentation for a non-monetary receipt.
3. ***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.

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.

KEITH 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: See page 3.

2. Non-Monetary Receipts and Documentation

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 [judges retirement fee], two dollars of the fee provided in section 33-107.01 [legal services fee], 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

We noted two instances in which \$17 in non-waiverable court costs were waived improperly when the defendant applied jail time for payment of fines and costs.

Additionally, good internal control requires that supporting documentation be available for all non-monetary receipt transactions to ensure those receipts are accurate and proper.

We noted one non-monetary receipt for \$24 that lacked supporting documentation.

When non-waiverable court costs are waived improperly, the County Court is not in compliance with State statute. Moreover, a lack of documentation for non-monetary receipts increases the risk of loss or misuse of County Court funds.

We recommend that the County Court void the two jail non-monetary receipts and reissue them without including the non-waiverable fees. We recommend also that the County Court maintain adequate documentation for all non-monetary receipts.

County Court's Response: See page 3.

KEITH COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. 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 they are proper and current.

During review of the County Court's trust balances, we noted six instances, totaling \$945, of cases being satisfied but the trust balances not being paid out in a timely manner.

When trust balances are not reviewed on a consistent and timely basis, there is an increased risk that they will be neither correct nor current.

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

County Court's Response: Keith County Court recognizes the issues found in the audit report and ensures that the financial reports of the court will be reviewed more thoroughly. I also recognize that some issues cannot be properly addressed as it would require the Supreme Court to add more personnel and this is not a viable option anytime in the foreseeable future.



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KEITH COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

KEITH COUNTY COURT
OGALLALA, 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	\$ 83,980	\$ 675,197	\$ 676,929	\$ 82,248
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 9,444	\$ 85,386	\$ 88,516	\$ 6,314
Law Enforcement Fees	1,056	9,124	9,398	782
State Judges Retirement Fund	3,005	26,418	27,139	2,284
Court Administrative Fees	4,878	53,717	54,679	3,916
Legal Services Fees	3,288	28,833	29,641	2,480
Due to County Treasurer:				
Regular Fines	23,736	207,335	211,531	19,540
Overload Fines	-	3,625	3,625	-
Regular Fees	1,146	15,071	15,415	802
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	109	2,569	2,453	225
Regular Fees	-	-	-	-
Trust Fund Payable	37,318	243,119	234,532	45,905
Total Liabilities	\$ 83,980	\$ 675,197	\$ 676,929	\$ 82,248

The accompanying notes are an integral part of the schedule.

KEITH COUNTY COURT
OGALLALA, 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	\$ 100,626	\$ 604,945	\$ 621,591	\$ 83,980
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 10,707	\$ 89,600	\$ 90,863	\$ 9,444
Law Enforcement Fees	678	8,902	8,524	1,056
State Judges Retirement Fund	2,016	25,906	24,917	3,005
Court Administrative Fees	4,128	54,771	54,021	4,878
Legal Services Fees	2,272	28,351	27,335	3,288
Due to County Treasurer:				
Regular Fines	18,396	197,803	192,463	23,736
Overload Fines	825	5,000	5,825	-
Regular Fees	498	20,335	19,687	1,146
Petty Cash Fund	-	-	-	-
Due to Municipalities:				
Regular Fines	575	4,316	4,782	109
Regular Fees	-	17	17	-
Trust Fund Payable	60,531	169,944	193,157	37,318
Total Liabilities	<u>\$ 100,626</u>	<u>\$ 604,945</u>	<u>\$ 621,591</u>	<u>\$ 83,980</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Keith 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 Keith 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.