

**ATTESTATION REPORT
OF
PHELPS COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on May 18, 2015

PHELPS COUNTY COURT

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PHELPS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Phelps 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. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure payment and/or resolution of such balances.
3. ***Non-Monetary Receipt Documentation:*** The County Court did not have documentation to support non-monetary receipts.

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. Where no response has been included, the County Court declined to respond. 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.

PHELPS 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.

2. Review of Trust Balances

Good internal control and sound business practices require all trust balances to be reviewed on a timely basis to ensure that the balances are proper and current.

During review of the County Court's June 30, 2014, trust balances, we noted one instance of a bond being declared forfeited in August 2014; however, as of April 28, 2015, the bond had not been adjusted to the forfeiture account.

When trust balances are not reviewed on a consistent and timely basis, there is an increased risk of trust balances not being correct or current.

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

County Court's Response: Please note that the trust balance was reduced by approx. \$7,000 in the 12-13 report and \$2,000 in the 13-14 report. These reductions are due to review of the reports on a monthly basis. Some of Trust funds were for bonds that had been forfeited but not executed on. It is our County Attorneys position that once the bond is forfeited a new warrant is issued and the funds are held until the County Attorney files a Motion to Execute on the bond and sends notice to both the defendant and/or the assignee prior to execution.

PHELPS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Review of Trust Balances** (Concluded)

This is what is available in Justice.

<i>Declaration of Forfeiture (Y)</i> _____	<i>Date</i> _____
<i>Judgment on Forfeiture (Y)</i> _____	<i>Date</i> _____
<i>Reinstate Bond (Y/N)</i> _____	<i>Reinstate Date</i> _____

We declare it in forfeiture but do not pass judgment until notice is sent. I will visit with the JUSTICE experts to see how this should be addressed. If they indicate that we cannot hold it until the judgment hearing, we will make the adjustments.

3. **Non-Monetary Receipt Documentation**

Good internal control requires documentation to be maintained to support all non-monetary receipt transactions in order to ensure receipts are accurate and proper.

During our review of non-monetary receipts, we noted the following:

- One non-monetary receipt for \$9 could not be traced to adequate documentation.
- Three non-monetary receipts, totaling \$477, were issued without a jail return on file or prior to the jail commitment return being received by the Court.

When adequate documentation is not maintained to support non-monetary receipts, there is an increased risk that improper receipts could go undetected.

We recommend the County Court implement procedures to ensure adequate documentation is on file to support all non-monetary receipts.

County Court's Response: It was the courts policy to issue the JL receipt when the commitment was issued or when the defendant reported to jail (due to them being incarcerated at the time the commitment was issued or information was received when the defendant surrendered to the jail). We felt that this would insure that the credit had been given instead of waiting until the return is filed. We will change this policy due to the reports of the auditor.



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PHELPS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

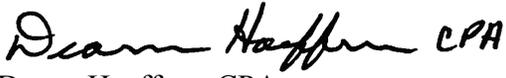
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 Phelps 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 28, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 41,656	\$ 348,894	\$ 351,471	\$ 39,079
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,257	\$ 52,435	\$ 53,646	\$ 4,046
Law Enforcement Fees	357	4,559	4,578	338
State Judges Retirement Fund	1,347	15,458	15,669	1,136
Court Administrative Fees	3,632	30,312	31,707	2,237
Legal Services Fees	1,262	15,888	15,985	1,165
Due to County Treasurer:				
Regular Fines	7,069	103,769	100,421	10,417
Overload Fines	775	3,225	3,850	150
Regular Fees	297	3,218	3,229	286
Due to Municipalities:				
Regular Fines	605	2,570	2,915	260
Regular Fees	200	2,004	2,004	200
Trust Fund Payable	20,855	115,456	117,467	18,844
Total Liabilities	<u>\$ 41,656</u>	<u>\$ 348,894</u>	<u>\$ 351,471</u>	<u>\$ 39,079</u>

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 51,451	\$ 312,574	\$ 322,369	\$ 41,656
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,637	\$ 49,546	\$ 50,926	\$ 5,257
Law Enforcement Fees	383	4,194	4,220	357
State Judges Retirement Fund	1,548	14,861	15,062	1,347
Court Administrative Fees	2,450	31,514	30,332	3,632
Legal Services Fees	1,440	14,950	15,128	1,262
Due to County Treasurer:				
Regular Fines	9,914	79,002	81,847	7,069
Overload Fines	350	4,725	4,300	775
Regular Fees	157	2,511	2,371	297
Due to Municipalities:				
Regular Fines	390	2,045	1,830	605
Regular Fees	410	1,906	2,116	200
Trust Fund Payable	<u>27,772</u>	<u>107,320</u>	<u>114,237</u>	<u>20,855</u>
Total Liabilities	<u>\$ 51,451</u>	<u>\$ 312,574</u>	<u>\$ 322,369</u>	<u>\$ 41,656</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Phelps 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 Phelps 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.