

**ATTESTATION REPORT
OF
WAYNE COUNTY COURT**

JULY 1, 2012 THROUGH JUNE 30, 2014

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Issued on April 22, 2015

WAYNE COUNTY COURT

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WAYNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Wayne 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. ***Unclaimed Property:*** The County Court did not report and remit to the State Treasurer trust balances that were over three years old, as required by State statute.
3. ***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.
4. ***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.

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.

WAYNE 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 Court acknowledges that authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated activities, we also realize the lack of personnel prohibiting us from having proper internal control structure design is based upon the size and caseload of Wayne County. We know that it would be a financial hardship on the taxpayers of the State of Nebraska to add more personnel to Wayne County. The one person staff makes a conscious effort to ensure all duties are completed accurately and in a timely manner. The Court appreciates the financial specialists and we are hopeful that with the addition of financial specialists under the direction of the Administrative Office of the Courts, we will be able to further improve financial control as recommended.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), requires any unclaimed abandoned property, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 of each year.

We noted four checks, totaling \$79, that were past due for reporting and remittance to the Nebraska State Treasurer as unclaimed property. In addition, we noted one case balance, totaling \$270, that was past due for reporting and remittance to the Nebraska State Treasurer as unclaimed property.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Unclaimed Property** (Concluded)

We recommend the County Court work to report and remit promptly all unclaimed property in its possession in accordance with State statute.

County Court's Response: The Court does recognize that the 3 checks tested were not submitted in a timely matter. The checks in question were caught and submitted earlier this year prior to the audit taking place.

3. **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 resolve those balances.

During testing of 10 overdue balances, 5 balances, totaling \$1,316, 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 the suspension or declaration of certain overdue balances as uncollectible. As of April 4, 2015, overdue balances, excluding restitution judgments, totaled \$24,504.

Without a regular review of overdue case balances, there is an increased risk they 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 balances.

County Court's Response: The Court will begin to review the Overdue Case Account Report more closely and will institute a tighter timeline on determining if there is enough criteria to declare the overdue balances as uncollectable.

4. **Trust Balances**

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

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. Trust Balances (Concluded)

During the testing of trust balances, we noted the following:

- Five Criminal cases, totaling \$508, for which the County Court made no attempt to refund or pay out the funds to the appropriate individuals prior to remittance to unclaimed property.
- Two Traffic cases, totaling \$61, for which the County Court made no attempt to refund or pay out the funds to the appropriate individuals prior to remittance to unclaimed property.
- Two Traffic cases, totaling \$419, in which the fines and costs collected were not applied timely to the case, resulting in unnecessary license suspensions.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

We recommend the County Court implement procedures to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.

County Court's Response: The Court has made some efforts to return monies owed to individuals. We will work on a local court policy concerning overpayments and refunds to ensure that we are consistently paying the trust balances. We will monitor the JUSTICE reports to assure these monies are refunded, and will start sending follow up letters to the individuals that have outstanding checks that have been issued to them by the court.



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WAYNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

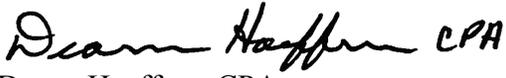
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 Wayne 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 7, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor

WAYNE COUNTY COURT
WAYNE, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
ASSETS				
Cash and Deposits	\$ 25,541	\$ 173,470	\$ 176,424	\$ 22,587
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,344	\$ 27,738	\$ 28,382	\$ 1,700
Law Enforcement Fees	219	2,457	2,520	156
State Judges Retirement Fund	702	8,015	8,192	525
Court Administrative Fees	1,551	16,253	16,271	1,533
Legal Services Fees	757	8,341	8,500	598
Due to County Treasurer:				
Regular Fines	6,281	69,686	68,918	7,049
Overload Fines	325	250	575	-
Regular Fees	36	1,283	1,131	188
Due to Municipalities:				
Regular Fines	-	1,660	1,660	-
Regular Fees	220	1,327	1,327	220
Trust Fund Payable	13,106	36,460	38,948	10,618
Total Liabilities	<u>\$ 25,541</u>	<u>\$ 173,470</u>	<u>\$ 176,424</u>	<u>\$ 22,587</u>

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
WAYNE, 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	\$ 109,880	\$ 226,262	\$ 310,601	\$ 25,541
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,603	\$ 37,384	\$ 36,643	\$ 2,344
Law Enforcement Fees	148	3,247	3,176	219
State Judges Retirement Fund	466	10,398	10,162	702
Court Administrative Fees	1,525	21,401	21,375	1,551
Legal Services Fees	549	10,887	10,679	757
Due to County Treasurer:				
Regular Fines	6,142	88,499	88,360	6,281
Overload Fines	1,000	1,875	2,550	325
Regular Fees	202	2,461	2,627	36
Due to Municipalities:				
Regular Fines	-	185	185	-
Regular Fees	240	1,104	1,124	220
Trust Fund Payable	98,005	48,821	133,720	13,106
Total Liabilities	\$ 109,880	\$ 226,262	\$ 310,601	\$ 25,541

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Wayne 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 Wayne 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.