

**ATTESTATION REPORT
OF
BUTLER COUNTY COURT
JULY 1, 2013 THROUGH JUNE 30, 2015**

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Issued on April 7, 2016

BUTLER COUNTY COURT

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BUTLER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Butler 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.
3. ***Non-Waiverable Court Costs:*** The County Court did not report and remit to the State Treasurer trust balances that were over three years old in the timely manner required by State statute.

More detailed information on the above items is provided hereinafter. 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.

BUTLER 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.

A lack of segregation of duties is indicated by the following errors:

- There was no documentation on file to support the payee name listed on a cleared check for \$900. The name did not agree to the name listed on the receipt.
- No documentation was on file to support \$20 of fees waived on a traffic case.
- Cash drawers were not balanced daily. Two of three bank deposits tested, totaling \$4,113, consisted of cash from multiple day periods.
- One bond tested, totaling \$450, was paid to the defendant instead of the assignee.
- A traffic citation payment, totaling \$173, was received on December 11, 2012, but not applied to fines/costs until September 8, 2015.
- No attempt was made by the County Court to refund a \$36 traffic citation overpayment received in August 2014.

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.

Clerk Magistrate's Response: Regarding segregation of duties, you are correct that I am able to handle all aspects of processing transactions from beginning to end. In a small office, in order to receipt for the money when it is received, everyone needs to be able to issue receipts. Two of us are able to sign the checks. The daily deposits are prepared and taken to the bank by me. I do the monthly balancing. I do the daily review of reports, and disbursements of the fees. In addition, all accounting reports are imaged and reviewed remotely by an independent accounting specialist.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Segregation of Duties (Concluded)

I assumed the duties of Clerk Magistrate in Butler County on May 8, 2015. I was unaware of how matters were handled by the prior Clerk Magistrate as she handled all the office proceedings, not the staff.

Regarding the above listed lack of segregation of duties errors shown above, I can only respond to them as to what I will do in the future, as I was not in control of the office at the time these errors occurred.

1. *Re: No documentation on file to support payee. Make certain the names match on checks/receipts.*
2. *Re: No documentation to support \$20 of waived fees. Make certain the fees which are waived are eligible to be waived.*
3. *Re: Cash drawers not balanced daily. Since my taking over the office, I strive to make a daily deposit and also take it to the bank on a daily basis. My current practice is to take the deposit to the bank every night after work.*
4. *Re: Bond paid to defendant instead of assignee. I write the majority of the bond refund checks and I strive to double-check that the payee is correct.*
5. *Re: Traffic citation not credited in a timely fashion. I was not aware of the meaning of some of the reports that were provided. Once I was made aware of the report where this information was shown, I corrected it. In the future, I will be checking these reports and taking care of the matters at hand.*
6. *Re: Refund of traffic citation. This would be the same answer as #5 above.*

As a newly hired Clerk Magistrate, I am learning the requirements of the office and strive to insure that each requirement is met. I will continue to do so to not only address the concerns listed herein, but to insure that all matters are correctly completed in this office.

2. Overdue Balances

Good internal control and sound business practices require that overdue balances of the County Court 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 10 overdue balances, 8, totaling \$675, 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 March 5, 2016, overdue balances, excluding restitution judgments, totaled \$21,147.

Without 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.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

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.

Clerk Magistrate's Response: Regarding the overdue balances, once again I did not assume the duties of Clerk Magistrate until May 8, 2015. My plan to remedy this situation is to pull each case file and complete the actions needed to be taken to clear these cases from this report.

3. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2008) provides, in relevant part, the following:

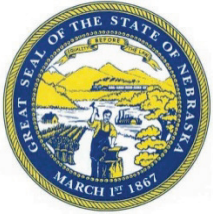
When any costs in misdemeanor, traffic, felony, preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 [judges retirement fees], two dollars of the fee provided in section 33-107.01 [legal services fee], the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectable for any reason, including the dismissal of the case, such costs shall be deemed waived

- We noted three court cases, totaling \$11, for which the Court waived non-waiverable fees and costs.

When non-waiverable fees and costs are waived, the County Court is not in compliance with State statute and court orders.

We recommend the County Court waive only court fees and costs allowed by State statute.

Clerk Magistrate's Response: Regarding the non-waiverable court costs, once again I did not assume the duties of Clerk Magistrate until May 8, 2015. I have a list and will reference said list showing the fees which are non-waiverable and will implement the same into my daily routine.



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BUTLER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Butler County Court as of and for the fiscal years ended June 30, 2015, and June 30, 2014. 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 Butler County Court, as of June 30, 2015, and June 30, 2014, 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 17, 2016


Deann Haeffner, CPA
Assistant Deputy Auditor

BUTLER COUNTY COURT
DAVID CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 42,311	\$ 301,232	\$ 296,565	\$ 46,978
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,030	\$ 36,366	\$ 36,381	\$ 3,015
Law Enforcement Fees	202	2,708	2,646	264
State Judges Retirement Fund	702	9,024	8,879	847
Court Administrative Fees	1,414	21,813	21,329	1,898
Legal Services Fees	759	10,061	9,875	945
Due to County Treasurer:				
Regular Fines	8,056	94,494	93,632	8,918
Overload Fines	-	2,800	2,700	100
Regular Fees	987	7,871	8,274	584
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	-	60	60	-
Trust Fund Payable	27,061	116,035	112,789	30,307
Total Liabilities	\$ 42,311	\$ 301,232	\$ 296,565	\$ 46,978

The accompanying notes are an integral part of the schedule.

BUTLER COUNTY COURT
DAVID CITY, 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	\$ 57,092	\$ 296,173	\$ 310,954	\$ 42,311
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,683	\$ 36,006	\$ 36,659	\$ 3,030
Law Enforcement Fees	358	2,763	2,919	202
State Judges Retirement Fund	1,222	9,493	10,013	702
Court Administrative Fees	2,085	20,857	21,528	1,414
Legal Services Fees	1,199	9,894	10,334	759
Due to County Treasurer:				
Regular Fines	9,747	94,940	96,631	8,056
Overload Fines	75	1,200	1,275	-
Regular Fees	1,035	9,990	10,038	987
Petty Cash Fund	-	100	-	100
Due to Municipalities:				
Regular Fines	-	137	137	-
Regular Fees	14	-	14	-
Trust Fund Payable	<u>37,674</u>	<u>110,793</u>	<u>121,406</u>	<u>27,061</u>
Total Liabilities	<u>\$ 57,092</u>	<u>\$ 296,173</u>	<u>\$ 310,954</u>	<u>\$ 42,311</u>

The accompanying notes are an integral part of the schedule.

BUTLER COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2015, and June 30, 2014

1. Criteria

A. Reporting Entity

The Butler 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 Butler 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.