

**ATTESTATION REPORT
OF
CHERRY COUNTY COURT**

JULY 1, 2013 THROUGH JUNE 30, 2015

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Issued on January 21, 2016

CHERRY COUNTY COURT

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CHERRY COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Cherry County Court, we noted a certain deficiency and other operational matters that are presented here.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

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, as 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.

Errors specifically noted include the following:

- Two balances, totaling \$493, tested on the Overdue Case Account Report were not properly resolved.
- One non-monetary receipt for \$10 was issued in error.

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:

In response to segregation of duties: There are only two employees in our office and complete segregation of duties would be extremely difficult. We attempt to mitigate the segregation of duties concern by one of us balancing the cash drawer at the end of the day and the other one getting the deposit ready. We both see the receipts and deposits. We also alternate doing the end of month check reconciliation and end of month disbursements. With the addition of the Financial Specialist under the direction of the Administrative Office of the Courts, the court trusts that we will be able to further improve the financial control as recommended due to the checks and balances that are now being performed.

CHERRY COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

In response to the two balances on Overdue Case Account Report that were not properly resolved: The error has been corrected with non-monetary receipts being issued. Going forward the Court will add a reminder on Justice (comacts) when the Order is set over for Judge's signature to declare the case uncollectable or an Order for the defendant to lay out fines and/or costs and the Overdue Case Account report will be worked monthly and the responsibility will be shared within the office.

The non-monetary receipts issued in error has been corrected. Office policy has been established that the Court will review all non-monetary receipts on a monthly basis.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area 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 an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. Where no response has been included, the County Court declined to respond. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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CHERRY COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

December 17, 2015


Deann Haeffner, CPA
Assistant Deputy Auditor

CHERRY COUNTY COURT
VALENTINE, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2015

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 47,149	\$ 367,960	\$ 368,492	\$ 46,617
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,996	\$ 45,819	\$ 40,164	\$ 8,651
Law Enforcement Fees	264	3,372	3,419	217
State Judges Retirement Fund	810	11,025	11,002	833
Court Administrative Fees	2,651	23,021	24,566	1,106
Legal Services Fees	814	11,140	11,226	728
Due to County Treasurer:				
Regular Fines	9,632	87,003	91,185	5,450
Overload Fines	-	3,950	3,950	-
Regular Fees	783	5,168	4,406	1,545
Petty Cash Fund	40	-	-	40
Due to Municipalities:				
Regular Fines	-	325	325	-
Regular Fees	569	2,563	3,132	-
Trust Fund Payable	<u>28,590</u>	<u>174,574</u>	<u>175,117</u>	<u>28,047</u>
Total Liabilities	<u><u>\$ 47,149</u></u>	<u><u>\$ 367,960</u></u>	<u><u>\$ 368,492</u></u>	<u><u>\$ 46,617</u></u>

The accompanying notes are an integral part of the schedule.

CHERRY COUNTY COURT
VALENTINE, 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	\$ 392,825	\$ 337,233	\$ 682,909	\$ 47,149
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,968	\$ 46,306	\$ 47,278	\$ 2,996
Law Enforcement Fees	477	4,251	4,464	264
State Judges Retirement Fund	1,417	13,174	13,781	810
Court Administrative Fees	2,643	29,308	29,300	2,651
Legal Services Fees	1,596	13,834	14,616	814
Due to County Treasurer:				
Regular Fines	12,263	111,751	114,382	9,632
Overload Fines	875	4,450	5,325	-
Regular Fees	757	2,692	2,666	783
Petty Cash Fund	-	40	-	40
Due to Municipalities:				
Regular Fines	-	250	250	-
Regular Fees	109	3,326	2,866	569
Trust Fund Payable	<u>368,720</u>	<u>107,851</u>	<u>447,981</u>	<u>28,590</u>
Total Liabilities	<u>\$ 392,825</u>	<u>\$ 337,233</u>	<u>\$ 682,909</u>	<u>\$ 47,149</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Cherry 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 Cherry 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.