

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

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Issued on June 20, 2016

HOWARD COUNTY COURT

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HOWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Howard 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-Waiverable Court Costs:*** The County Court waived court costs that, according to State statute, are non-waiverable.
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.

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.

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

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.

The following errors were noted:

- During testing, we noted that the County Court failed to take timely action to pay out 7 of 20 case balances, totaling \$384.
- Supporting documentation was not on file for three non-monetary receipts issued, where the Court deemed the costs uncollectible.

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 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 case balances have been paid out.*
- *Documentation is now on file for the non-monetary receipts issued, where the Court deemed uncollectible.*

2. Non-Waiverable Court Costs

We noted 7 instances out of the 15 tested where non-waiverable costs, totaling \$72, were waived. 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 . . .

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Non-Waiverable Court Costs (Concluded)

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.

County Court's Response: On the recommendation of the Auditor, I contacted my Accounting/Audit Extra Duty Specialist. I then corrected the non-waiverable costs that were waived in error. The Court will no longer use the Auto Apply when issuing a receipt. We will enter the court costs manually to insure the non-waiverable amounts are paid out first.

3. Overdue Balances

Four of five overdue balances tested, totaling \$482, 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 May 21, 2016, overdue balances, excluding restitution judgments, totaled \$12,716.

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 otherwise resolve those balances.

Without a 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. We have included this comment in previous examinations.

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.

County Court's Response: Corrections have been made. The Court will review its overdue balances on an ongoing, timely basis.



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HOWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor

May 26, 2016

HOWARD COUNTY COURT
ST. PAUL, 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	\$ 32,197	\$ 320,426	\$ 313,662	\$ 38,961
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,281	\$ 52,262	\$ 52,458	\$ 5,085
Law Enforcement Fees	746	6,762	6,915	593
State Judges Retirement Fund	2,066	19,556	19,848	1,774
Court Administrative Fees	2,606	30,654	29,575	3,685
Legal Services Fees	2,336	21,978	22,380	1,934
Due to County Treasurer:				
Regular Fines	9,077	117,206	114,455	11,828
Overload Fines	225	3,325	3,550	-
Regular Fees	541	4,307	4,325	523
Due to Municipalities:				
Regular Fines	-	275	275	-
Trust Fund Payable	9,319	64,101	59,881	13,539
Total Liabilities	\$ 32,197	\$ 320,426	\$ 313,662	\$ 38,961

The accompanying notes are an integral part of the schedule.

HOWARD COUNTY COURT
ST. PAUL, 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	\$ 8,875	\$ 288,199	\$ 264,877	\$ 32,197
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 18	\$ 52,963	\$ 47,700	\$ 5,281
Law Enforcement Fees	3	6,645	5,902	746
State Judges Retirement Fund	8	19,725	17,667	2,066
Court Administrative Fees	10	30,148	27,552	2,606
Legal Services Fees	9	21,895	19,568	2,336
Due to County Treasurer:				
Regular Fines	25	100,928	91,876	9,077
Overload Fines	-	4,650	4,425	225
Regular Fees	-	4,548	4,007	541
Due to Municipalities:				
Regular Fines	-	375	375	-
Trust Fund Payable	8,802	46,322	45,805	9,319
Total Liabilities	\$ 8,875	\$ 288,199	\$ 264,877	\$ 32,197

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Howard 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 Howard 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.