

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

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Issued on June 9, 2016

KNOX COUNTY COURT

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KNOX COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Knox 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.

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: With regard to the segregation of duties, my case count does not justify the Supreme Court hiring an additional employee however the Court Administrator's Office has set up a Financial Specialist for each of the Courts as a way to review the financial activity of the office. The financial specialist reviews our bank statements and reconciliations, plus does other checking on our financial activity and contacts us directly if there is something that needs to be addressed.

With regard to Negative Balance, I contacted a Justice Business Analyst with regard to the payment of Alcohol Testing Fees that were paid to the County Treasurer and should have gone to the City of Crofton. I handled the adjustment the way I was advised. After the adjustment there was a brief time period when the DataMaster Breathalyzer was not being used for testing because of problems with test result admissability in Court. The adjustment needed is down to \$11.00 and I am expecting that the amount will be corrected with this months receipts.

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.

KNOX COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

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. 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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KNOX COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

May 19, 2016


Deann Haeffner, CPA
Assistant Deputy Auditor

KNOX COUNTY COURT
CENTER, 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>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 17,749	\$ 89,326	\$ 99,303	\$ 7,772
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,425	\$ 18,396	\$ 17,700	\$ 2,121
Law Enforcement Fees	107	1,193	1,174	126
State Judges Retirement Fund	376	4,506	4,395	487
Court Administrative Fees	520	10,325	9,890	955
Legal Services Fees	406	4,500	4,425	481
Due to County Treasurer:				
Regular Fines	3,728	29,089	30,795	2,022
Overload Fines	-	4,300	3,325	975
Regular Fees	34	1,416	1,647	(197)
Due to Municipalities:				
Regular Fines	-	100	100	-
Regular Fees	-	468	468	-
Trust Fund Payable	<u>11,153</u>	<u>15,033</u>	<u>25,384</u>	<u>802</u>
Total Liabilities	<u>\$ 17,749</u>	<u>\$ 89,326</u>	<u>\$ 99,303</u>	<u>\$ 7,772</u>

The accompanying notes are an integral part of the schedule.

KNOX COUNTY COURT
CENTER, 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	\$ 13,241	\$ 114,489	\$ 109,981	\$ 17,749
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,668	\$ 22,552	\$ 22,795	\$ 1,425
Law Enforcement Fees	145	1,283	1,321	107
State Judges Retirement Fund	510	5,105	5,239	376
Court Administrative Fees	660	8,300	8,440	520
Legal Services Fees	488	4,853	4,935	406
Due to County Treasurer:				
Regular Fines	2,806	35,460	34,538	3,728
Overload Fines	-	50	50	-
Regular Fees	214	335	515	34
Trust Fund Payable	6,750	36,551	32,148	11,153
Total Liabilities	<u>\$ 13,241</u>	<u>\$ 114,489</u>	<u>\$ 109,981</u>	<u>\$ 17,749</u>

The accompanying notes are an integral part of the schedule.

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

1. **Criteria**

A. **Reporting Entity**

The Knox 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 Knox 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.

3. **Negative Balance**

As of June 30, 2015, the County Treasurer Regular Fees account had a negative balance of \$197. This was a result of receipts paid over to the County Treasurer but subsequently adjusted. In order to resolve this negative balance, the County Court will need to get reimbursement from the County Treasurer.