

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT
JULY 1, 2014 THROUGH JUNE 30, 2015**

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Issued on April 1, 2016

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Lancaster County Court, we noted a certain deficiency that is 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 consider this to be a material weakness.

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

- Access to signature stamps is not limited to the individual whose name is on the stamp.
- One \$198 duplicate payment received on a traffic case was not refunded timely.
- For 1 of 30 court cases tested, a speeding charge was erroneously dismissed in the County Court's recordkeeping system, the speeding was improperly dismissed, causing a \$173 payment to not be properly applied to fines and costs.

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: We are working with the Administrative Office of the Courts to establish how to eliminate the need for/use of signature stamps.

We do take very seriously the segregation of duties. Our belief is that the two errors on receipts are a matter of staff not following established procedures as opposed to a segregation of duty issue. We will continue to review and modify training and procedures so as to avoid similar errors in the future.

LANCASTER COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

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 with 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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LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lancaster County Court as of and for the fiscal year ended June 30, 2015. The County Court's management is responsible for the Schedule. 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 Schedule 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 Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Lancaster County Court, as of June 30, 2015, and the related activity for the fiscal year 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 Schedule 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 Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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 Comment 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.



Zachary Wells, CPA, CISA
Audit Manager

March 9, 2016

LANCASTER COUNTY COURT
LINCOLN, 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	\$ 1,958,928	\$ 10,947,296	\$ 11,465,059	\$ 1,441,165
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 74,093	\$ 1,321,248	\$ 1,336,123	\$ 59,218
Law Enforcement Fees	8,329	143,416	145,847	5,898
State Judges Retirement Fund	19,596	461,675	461,577	19,694
Court Administrative Fees	40,704	779,238	786,687	33,255
Legal Services Fees	27,399	490,841	497,658	20,582
Due to County Treasurer:				
Regular Fines	68,567	1,438,414	1,443,977	63,004
Overload Fines	3,675	100,098	102,423	1,350
Regular Fees	16,571	166,602	177,500	5,673
Petty Cash Fund	-	700	-	700
Due to Municipalities:				
Regular Fines	98,088	2,285,149	2,291,897	91,340
Regular Fees	7,110	137,917	140,253	4,774
Trust Fund Payable	1,594,796	3,621,998	4,081,117	1,135,677
Total Liabilities	\$ 1,958,928	\$ 10,947,296	\$ 11,465,059	\$ 1,441,165

The accompanying notes are an integral part of the schedule.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2015

1. **Criteria**

A. **Reporting Entity**

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

B. **Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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.