

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

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Issued on April 19, 2016

OTOE COUNTY COURT

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OTOE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Otoe 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.

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.

OTOE 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.

Errors specifically noted include the following:

- Two instances of fines and costs not being applied timely, resulting in an erroneous suspension of one person's licence.
- Four instances of bonds, totaling \$1,395, not being forfeited per court order or properly paid out in a timely manner upon resolution of the case.

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: Segregation of duties have been in place since the start of the 1st audit back in July of 2015; there is one person that does not handle money and only does non-mon receipts, adjustments and voids.

APA Response: Segregation of duties encompasses many more areas than the handling of money; such as bank records, and balancing procedures.

2. Overdue Balances

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.

The APA found that the County Court failed to take action – such as the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible – on 4 of 10 overdue balances tested, totaling \$1,406, to ensure the collection and/or resolution of those balances. As of July 25, 2015, overdue balances, excluding restitution judgments, totaled \$117,987.

OTOE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow-up action taken or the balances may have been previously resolved and should no longer be reflected as being overdue.

We recommend the County Court implement ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

Clerk Magistrate's Response: I also have been working the Otoe County overdue balance reports since July of 2015 and have made great strides in correcting and reducing the number of cases on this report. Corrections and plans are in place to ensure that warrants and suspensions are issued correctly.



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OTOE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

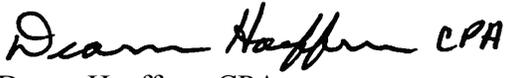
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 Otoe 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 certain findings that are required to be reported under *Government Auditing Standards*, and the findings, along with the views of management, are 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 22, 2016


Deann Haeffner, CPA
Assistant Deputy Auditor

OTOE COUNTY COURT
NEBRASKA CITY, 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 | \$ 85,542 | \$ 737,186 | \$ 656,182 | \$ 166,546 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 7,866 | \$ 95,448 | \$ 94,554 | \$ 8,760 |
| Law Enforcement Fees | 857 | 10,057 | 10,083 | 831 |
| State Judges Retirement Fund | 2,592 | 32,838 | 32,678 | 2,752 |
| Court Administrative Fees | 5,631 | 57,042 | 57,784 | 4,889 |
| Legal Services Fees | 3,050 | 34,853 | 35,002 | 2,901 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 19,713 | 267,012 | 264,468 | 22,257 |
| Overload Fines | 7,375 | 61,111 | 60,611 | 7,875 |
| Regular Fees | 288 | 9,842 | 9,338 | 792 |
| Petty Cash Fund | 120 | 30 | - | 150 |
| | | | | |
| Due to Municipalities: | | | | |
| Regular Fines | 209 | 1,899 | 1,930 | 178 |
| Regular Fees | (86) | 34 | 46 | (98) |
| | | | | |
| Trust Fund Payable | <u>37,927</u> | <u>167,020</u> | <u>89,688</u> | <u>115,259</u> |
| Total Liabilities | <u>\$ 85,542</u> | <u>\$ 737,186</u> | <u>\$ 656,182</u> | <u>\$ 166,546</u> |

The accompanying notes are an integral part of the schedule.

OTOE COUNTY COURT
NEBRASKA 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 | \$ 100,236 | \$ 742,947 | \$ 757,641 | \$ 85,542 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 8,390 | \$ 102,403 | \$ 102,927 | \$ 7,866 |
| Law Enforcement Fees | 838 | 10,820 | 10,801 | 857 |
| State Judges Retirement Fund | 2,614 | 34,483 | 34,505 | 2,592 |
| Court Administrative Fees | 4,095 | 66,349 | 64,813 | 5,631 |
| Legal Services Fees | 2,884 | 36,561 | 36,395 | 3,050 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 20,300 | 263,581 | 264,168 | 19,713 |
| Overload Fines | 6,475 | 69,900 | 69,000 | 7,375 |
| Regular Fees | 3,264 | 11,634 | 14,610 | 288 |
| Petty Cash Fund | - | 120 | - | 120 |
| | | | | |
| Due to Municipalities: | | | | |
| Regular Fines | 399 | 2,778 | 2,968 | 209 |
| Regular Fees | - | 132 | 218 | (86) |
| | | | | |
| Trust Fund Payable | <u>50,977</u> | <u>144,186</u> | <u>157,236</u> | <u>37,927</u> |
| Total Liabilities | <u>\$ 100,236</u> | <u>\$ 742,947</u> | <u>\$ 757,641</u> | <u>\$ 85,542</u> |

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Otoe 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 Otoe 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 Municipalities Regular Fees account had a negative balance of \$98. This was a result of a receipt paid over to the municipality but subsequently voided. In order to resolve this negative balance, the County Court will need to get reimbursement from the municipality.