

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

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Issued on April 13, 2016

RED WILLOW COUNTY COURT

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RED WILLOW COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Red Willow 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, were non-waiverable.

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.

RED WILLOW 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:

- One case balance of \$39 was not timely refunded.
- One non-case receipt of \$450 was not timely applied to 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.

County Court's Response: In regards to Segregation of Duties, the Red Willow County Court has taken steps to help this situation, such as having one person prepare the deposit and another take the deposit to the bank. It should be noted that there are financial specialists who now monitor the financial records of Red Willow County on a remote basis. The specific incidences noted in the audit have been corrected.

2. Non-Waiverable Court Costs

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 . . .

We tested 15 non-monetary receipts and noted two instances, totaling \$34, of non-waiverable court costs that were waived improperly.

RED WILLOW 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.

We recommend the County Court waive only court fees and costs allowed by State statute.

County Court's Response: These cases in which the non-waiverable court costs were waived improperly have been corrected. These will be monitored more closely in the future to avoid this error from being made.



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RED WILLOW COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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



Pat Reding, CPA, CFE
Assistant Deputy Auditor

March 21, 2016

RED WILLOW COUNTY COURT
MCCOOK, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 69,268	\$ 522,439	\$ 526,112	\$ 65,595
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 8,188	\$ 66,700	\$ 69,583	\$ 5,305
Law Enforcement Fees	384	4,654	4,642	396
State Judges Retirement Fund	1,488	16,556	16,694	1,350
Court Administrative Fees	5,469	49,709	50,986	4,192
Legal Services Fees	1,441	16,498	16,505	1,434
Due to County Treasurer:				
Regular Fines	9,992	92,941	95,197	7,736
Overload Fines	-	4,325	3,900	425
Regular Fees	2,473	22,972	24,178	1,267
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	266	4,639	4,905	-
Regular Fees	-	-	-	-
Trust Fund Payable	39,517	243,446	239,523	43,440
Total Liabilities	<u>\$ 69,268</u>	<u>\$ 522,440</u>	<u>\$ 526,113</u>	<u>\$ 65,595</u>

The accompanying notes are an integral part of the schedule.

RED WILLOW COUNTY COURT
MCCOOK, 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	\$ 61,648	\$ 554,302	\$ 546,682	\$ 69,268
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,062	\$ 71,185	\$ 69,059	\$ 8,188
Law Enforcement Fees	444	5,713	5,773	384
State Judges Retirement Fund	1,582	18,945	19,039	1,488
Court Administrative Fees	5,053	54,676	54,260	5,469
Legal Services Fees	1,557	19,651	19,767	1,441
Due to County Treasurer:				
Regular Fines	8,350	116,636	114,994	9,992
Overload Fines	300	5,775	6,075	-
Regular Fees	1,023	17,971	16,521	2,473
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	128	7,505	7,367	266
Regular Fees	-	-	-	-
Trust Fund Payable	37,099	236,245	233,827	39,517
Total Liabilities	\$ 61,648	\$ 554,302	\$ 546,682	\$ 69,268

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Red Willow 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 Red Willow 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.