

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

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Issued on June 9, 2016

WASHINGTON COUNTY COURT

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WASHINGTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Washington 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. ***Investment Activity Not Recorded Accurately:*** The County Court did not record investment activity in the Court's Judicial User System to Improve Court Efficiency (JUSTICE) correctly and, therefore, the investment activity did not reconcile to the bank statements.
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 hereafter. 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.

WASHINGTON 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.

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: I feel that given our limited staff of 4 people between two counties, that I have implemented for the last year the following:

- 1) *Each night when cash drawers are balanced, another staff member checks and signs off on the amount of cash.*
- 2) *I do as little receipting as possible, because I prepare the bank deposit each morning and a different staff person takes the deposit to the bank at noon each day.*
- 3) *I balance the books each month and review voids and non-mons.*
- 4) *The extra special duty financial person checks my bank statements, recons, voids and non-mons each month.*

2. Investment Activity Not Recorded Accurately

A good internal control plan and sound business practices require investment activity of the County Court to be accurately recorded in the accounting system and properly reconciled to bank activity.

During testing of investments, we noted three investments had activity recorded in the JUSTICE system that did not agree to the bank statements. The amounts for purchases and redemptions in JUSTICE were both overstated by \$584,656 for the first investment, by \$45,190 for the second, and by \$191,158 for the third. The financial statement is correctly reported. We consider this to be a significant deficiency.

WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Investment Activity Not Recorded Accurately** (Concluded)

We also noted interest on two investments was not posted in a timely manner. The interest was posted in April 2014 for interest earned from August 2013 through March 2014 for one investment and December 2013 through March 2014 for the other.

When investment records are not accurately maintained, there is an increased risk for loss or misuse of investment funds, as well as an increased risk the financial statements of the County Court will be misstated.

We recommend the County Court implement procedures to record correctly all investment activity in the JUSTICE system. We also recommend the County Court reconcile the investment accounts on a regular basis and record interest earned on the accounts in a timely manner.

County Court's Response: I believe I am always on top of my investments and last years auditor was actually who discovered I had some missing interest statements, so that is why they were corrected in 2015. I am waiting on clarification of the term "cases appear to be overstated". There is no money missing from any of these investment accounts and I did have to void a check and reissue the same day, but I will work harder to read the District Court directives correctly the first time, so I do not have to void again.

APA Response: The APA did provide clarification.

3. **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.

During testing of 15 overdue balances, 7, totaling \$3,265, 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 April 18, 2016, overdue balances, excluding restitution judgments, totaled \$100,839.

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.

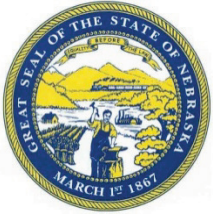
WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Overdue Balances (Concluded)

County Court's Response: The overdue cash balance report is taken very seriously by all staff members. We have date certians on all cases for the past five years. We are working on the old cases, tracking down defendants through Master Index, Google and anything else we can think of to try and obtain a valid address and then I first send an order to show cause by first class mail, if they do not appear, I have them served personally and if they then fail to appear, the Judge will issue a warrant. He will not issue a warrant unless I have personal service on them and we usually collect two old cases per week. We have a large list due to years ago felony bindover costs were not claimed to the county immediately, I gave the District Court Clerk a master list of the costs that needed collected, they sent out letters and that is as far as that went. I have since started tracking these defendants on our own and issuing the orders to show cause.



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WASHINGTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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



Kris Kucera, CPA, CFE
Audit Manager

May 3, 2016

WASHINGTON COUNTY COURT
BLAIR, 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	\$ 428,935	\$ 963,846	\$ 1,128,923	\$ 263,858
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,314	\$ 87,548	\$ 85,865	\$ 6,997
Law Enforcement Fees	427	7,167	6,968	626
State Judges Retirement Fund	1,331	21,191	20,587	1,935
Court Administrative Fees	3,012	66,305	61,069	8,248
Legal Services Fees	1,527	23,625	22,993	2,159
Due to County Treasurer:				
Regular Fines	11,277	212,906	204,100	20,083
Overload Fines	175	7,400	7,400	175
Regular Fees	780	35,115	35,006	889
Petty Cash Fund	200	-	-	200
Due to Municipalities:				
Regular Fines	50	3,150	2,925	275
Regular Fees	17	1,365	1,282	100
Trust Fund Payable	404,825	498,074	680,728	222,171
Total Liabilities	\$ 428,935	\$ 963,846	\$ 1,128,923	\$ 263,858

The accompanying notes are an integral part of the schedule.

WASHINGTON COUNTY COURT
BLAIR, 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	\$ 823,617	\$ 1,286,820	\$ 1,681,502	\$ 428,935
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,491	\$ 82,266	\$ 83,443	\$ 5,314
Law Enforcement Fees	479	6,443	6,495	427
State Judges Retirement Fund	1,626	20,246	20,541	1,331
Court Administrative Fees	3,416	54,262	54,666	3,012
Legal Services Fees	1,755	22,415	22,643	1,527
Due to County Treasurer:				
Regular Fines	11,548	175,454	175,725	11,277
Overload Fines	525	3,525	3,875	175
Regular Fees	1,434	22,339	22,993	780
Petty Cash Fund	-	200	-	200
Due to Municipalities:				
Regular Fines	369	3,295	3,614	50
Regular Fees	11	1,136	1,130	17
Trust Fund Payable	<u>795,963</u>	<u>895,239</u>	<u>1,286,377</u>	<u>404,825</u>
Total Liabilities	<u>\$ 823,617</u>	<u>\$ 1,286,820</u>	<u>\$ 1,681,502</u>	<u>\$ 428,935</u>

The accompanying notes are an integral part of the schedule.

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

1. **Criteria**

A. **Reporting Entity**

The Washington 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 Washington 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.