

**ATTESTATION REPORT  
OF  
BOX BUTTE COUNTY COURT**

**JULY 1, 2014, THROUGH DECEMBER 31, 2016**

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**Issued on June 13, 2017**

# BOX BUTTE COUNTY COURT

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# BOX BUTTE COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Box Butte County Court, we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with Government Auditing Standards: Comment #1, Segregation of Duties, which is considered to be a material weakness.

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. ***Petty Cash Bank Account:*** The County Court maintained a petty cash bank account that was not approved on the County budget message, and the activity in the account does not appear to have been a reasonable use of such funds.

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.

# BOX BUTTE 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.

In addition, we noted the following errors, which might have been detected had sufficient control procedures been in place:

- One criminal case tested included a \$360 trust balance held as of June 30, 2015. The full balance was subsequently refunded to the defendant on August 26, 2015; however, the judge's order dismissing the case was filed on August 9, 2011. As such, it appears the bond balance should have been refunded nearly four years earlier.
- One traffic case tested included a \$123 trust balance held as of December 31, 2016. The full balance was subsequently applied to State fines; however, only \$75 should have been applied to State fines, and the remaining \$48 should have been applied to court costs. This error was corrected immediately after the Auditor of Public Accounts (APA) brought it to the County Court's attention.
- One criminal case tested included an overdue balance of \$114 related to State fines. The last activity on the case was on January 23, 2014. No warrant or suspension had been issued. As such, it does not appear the County Court was following up on the overdue case in a timely manner.
- A non-monetary receipt tested waived \$14 of court costs that are not allowed to be waived per State statute. The costs were waived with jail time served; however, the defendant had actually paid \$18 in cash, in addition to the jail time served, which should have been applied to the non-waiverable court costs.
- One check tested was a refund of \$98 in State fines and court costs paid back to the defendant. Per a note in the accounting system, the case had been dismissed; however, there was no order on file related to the case dismissal. A judge's order was subsequently obtained indicating the case was dismissed after it was questioned by the APA.

We recommend the County Court and the Nebraska State Court Administrator review all of the concerns identified above. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

# BOX BUTTE COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. Segregation of Duties (Concluded)

*Clerk Magistrate's Response: Box Butte County Court is a smaller court employing myself, a full-time Assistant Clerk and a part-time Records Clerk. To assist in the proper segregation of duties, I reconcile the monthly bank statement, and write the monthly checks; the fee check to the Nebraska State Treasurer is an ACH debit from the JUSTICE account. The part-time clerk balances the daily deposit on the 3 days she is here, and my assistant clerk balances the daily deposit on the other two days of the week. Financial institution balances the court's deposit also. The Assistant Clerk and the Records Clerk have limited authority in regards to issuing receipts and voiding/adjusting receipts.*

*Extra duty specialists are in place to review the county courts financial transactions on a weekly basis.*

*The Clerk Magistrate recognizes that additional control measures need to be put in place to prevent procedural errors. Audits and good communication with the financial specialist continue to teach me how to identify areas that need improvement.*

- *Criminal case CR11-386 showed a date satisfied of 08/09/2011, which is a sign that there was the intention of refunding the bond at that time. I worked alone for the last 4 months of 2011. When an office is short-staffed, the likeliness of these types of errors happening is much greater. However, the bond should have been paid out prior to 08/25/2015.*
- *Traffic Case TR11-663 is an old case that was paid by Defendant on December 30, 2016, via Internet in the amount of \$123.00. JUSTICE claimed the court costs on 02/05/2013. New court clerk did not ask for help to process the payment. The correction was made immediately upon it being brought to my attention by the Auditor.*
- *CR13-388 was set for a Show Cause hearing on 02/13/2014. Defendant did not appear and a Warrant of Commitment should have been issued. Mistakenly, the hearing was deleted from COMACTS which caused a warrant not to issue. I have learned additional ways to Spot Check for these procedural errors. The court issued a bench warrant on 05/08/2017. Defendant was arrested on 05/19/2017 and payment in full was received on 06/05/2017.*
- *Jail receipt #9024286 was issued for \$65.00 on 12/29/2015 in case TR15-718. The former clerk should have claimed the non-waiverable court costs and issued a jail receipt for the remainder. The correction was made immediately when brought to my attention by the auditor. Financial specialist recommended I allow limited authority for issuing receipt, and voiding receipts.*
- *Case TR14-289 was dismissed by the Court on 07/23/2014. It is noted in the ROA, but an Order to Dismiss the case was not created in DOCKET by the Judge. Presently, the court has procedures in place to prevent this from happening in the future.*

# BOX BUTTE COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Petty Cash Bank Account

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) states the following:

*The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.*

Nebraska Supreme Court Rules § 6-1458 (Amended February 18, 2016) states the following:

*Whenever the need exists, a clerk magistrate, with the concurrence of the county judges of his or her district, may establish and maintain a petty cash fund. The fund shall be used only in the event of business-related circumstances which require the item or expense to be purchased and paid for immediately in cash. The creation of the fund is contingent upon approval of the State Court Administrator or designee and budget approval by the local county board as defined under Neb. Rev. Stat. § 23-106. If the local county board approves the budget request, the clerk magistrate shall maintain receipts for expenditures and an accurate, detailed accounting of the fund on a form approved by the State Court Administrator. The printed form and receipts shall be scanned into JUSTICE with the court's monthly financial image reports.*

Neb. Rev. Stat. § 77-2704.15(1)(a) (Cum. Supp. 2016) states, in relevant part, the following:

*Sales and use taxes shall not be imposed on the gross receipts from the sale, lease, or rental of and the storage, use, or other consumption in this state of purchases by the state, including public educational institutions recognized or established under the provisions of Chapter 85, or by any county . . . .*

A good internal control plan and sound accounting practices require petty cash funds to be used only for small-dollar purchases that must be paid for immediately in cash, and for all such purchases to be submitted and reviewed via the County claim process.

The County Court maintained a petty cash bank account. The APA noted the following concerns with regard to that account:

- It was not approved by the Court Administrator.
- It was not included on the County Board budget message.
- The activity in the account does not appear to have been a reasonable use of such funds.
- The receipts and bank statements were not scanned and included in JUSTICE.

We tested six petty cash bank account checks. In doing so, we noted that the items purchased with those checks do not appear to have been necessities that had to be obtained and paid for immediately. Additionally, some of the purchases were not for small-dollar items, which is contrary to the intended use of petty cash funds.

# BOX BUTTE COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 2. Petty Cash Bank Account (Concluded)

More detailed information regarding the six checks tested is set out in the table below.

| Date      | Payee                        | Amount         | Description of Items Purchased  |
|-----------|------------------------------|----------------|---|
| 7/14/2015 | Robert Johns                 | \$1,133        | Labor for carpet installation noted as being for county court offices.  |
| 11/5/2015 | Off Broadway                 | \$869          | Shredder.   |
| 12/3/2015 | Walter Mischnick Contractors | \$250          | Parts and labor for countertop installation in a county court room.   |
| 6/15/2015 | K-Mart                       | \$127          | Microwave (\$90), Lifesavers mints (\$10), Foldgers coffee (\$11), coffee filters (\$3), two 35-packs of bottled water (\$7), plus sales tax (\$6). |
| 8/1/2016  | Grocery Kart                 | \$43           | Paper plates (\$3), plastic cutlery (\$2), and produce (\$37), plus sales tax (\$1), noted as "Supreme Court Visit fruit tray, plates, forks."      |
| 4/1/2015  | Dollar General               | \$10           | Two 24-packs of bottled water noted as "jury water."  |
|           | <b>Total</b>                 | <b>\$2,432</b> |   |

Using petty cash funds for more expensive purchases that are not immediately required increases the risk of loss or misuse of public funds because such purchases do not flow through the regular review and approval process. In addition, the utilization of the County Court's petty cash bank account does not appear to have been in compliance with either State statute or the Nebraska Supreme Court Rules.

We recommend the County Court consider relinquishing the funds in the petty cash bank account to the County and establishing instead a set dollar amount of cash on hand to be used for immediate, relatively inexpensive purchases only, such as postage. We also recommend such petty cash fund be stated in the County Board budget message, as required by State statute. Finally, as required by the Nebraska Supreme Court Rules, we recommend such petty cash fund be approved by the Court Administrator and receipts and forms be scanned into JUSTICE as financial images.

*Clerk Magistrate's Response: This account is the former checking account for the Box Butte County Court. The court went on the JUSTICE system in April 2000, and for the past 17 years this account has been used as a witness fee and postage account. For almost a year it was used only as a miscellaneous postage account. The account was spent down with two purchases (the court has documentation of how the money was spent). On 05/09/2017, County Clerk verified with auditor that the items were listed on our inventory. Also, on 05/09-2017, check #17476 was issued to the Box Butte County Treasurer in the amount of \$1071.68, to pay down the account. On 06/06/2017 a check in the amount of \$292.16 was issued to the Box Butte County Treasurer with the description of "one time revenue for audit purposes" per the County Clerk, and the account is CLOSED. The bank statements have been imaged since March 2015 at the financial specialist's request.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### BOX BUTTE COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Box Butte County Court as of and for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015. The County Court's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Schedules are based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015, are based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

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.

June 2, 2017

  
Deann Haeffner, CPA  
Assistant Deputy Auditor  
Lincoln, Nebraska

**BOX BUTTE COUNTY COURT**  
**ALLIANCE, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Period Ending December 31, 2016

|                              | Balance<br>July 1, 2015 | Additions           | Deductions        | Balance<br>December 31, 2016 |
|------------------------------|-------------------------|---------------------|-------------------|------------------------------|
| <b>ASSETS</b>                |                         |                     |                   |                              |
| Cash and Deposits            | \$ 74,864               | \$ 1,065,643        | \$ 825,637        | \$ 314,870                   |
| <br>                         |                         |                     |                   |                              |
| <b>LIABILITIES</b>           |                         |                     |                   |                              |
| Due to State Treasurer:      |                         |                     |                   |                              |
| Regular Fees                 | \$ 4,439                | \$ 84,850           | \$ 84,360         | \$ 4,929                     |
| Law Enforcement Fees         | 489                     | 6,221               | 6,394             | 316                          |
| State Judges Retirement Fund | 1,595                   | 27,830              | 27,828            | 1,597                        |
| Court Administrative Fees    | 2,390                   | 33,072              | 33,911            | 1,551                        |
| Legal Services Fees          | 1,689                   | 24,059              | 24,409            | 1,339                        |
| <br>                         |                         |                     |                   |                              |
| Due to County Treasurer:     |                         |                     |                   |                              |
| Regular Fines                | 13,518                  | 136,618             | 146,187           | 3,949                        |
| Overload Fines               | 25                      | 9,100               | 9,075             | 50                           |
| Regular Fees                 | 681                     | 18,855              | 19,483            | 53                           |
| Petty Cash Fund              | 3,652                   | 2,405               | 4,497             | 1,560                        |
| <br>                         |                         |                     |                   |                              |
| Due to Municipalities:       |                         |                     |                   |                              |
| Regular Fines                | 160                     | 844                 | 967               | 37                           |
| Regular Fees                 | -                       | -                   | -                 | -                            |
| <br>                         |                         |                     |                   |                              |
| Trust Fund Payable           | 46,226                  | 721,789             | 468,526           | 299,489                      |
| <b>Total Liabilities</b>     | <b>\$ 74,864</b>        | <b>\$ 1,065,643</b> | <b>\$ 825,637</b> | <b>\$ 314,870</b>            |

The accompanying notes are an integral part of the schedule.

**BOX BUTTE COUNTY COURT**  
**ALLIANCE, 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> |
| <b>ASSETS</b>                |                     |                   |                   |                      |
| Cash and Deposits            | \$ 52,291           | \$ 438,423        | \$ 415,850        | \$ 74,864            |
| <br>                         |                     |                   |                   |                      |
| <b>LIABILITIES</b>           |                     |                   |                   |                      |
| Due to State Treasurer:      |                     |                   |                   |                      |
| Regular Fees                 | \$ 4,673            | \$ 55,459         | \$ 55,693         | \$ 4,439             |
| Law Enforcement Fees         | 355                 | 4,611             | 4,477             | 489                  |
| State Judges Retirement Fund | 1,296               | 16,465            | 16,166            | 1,595                |
| Court Administrative Fees    | 1,770               | 24,356            | 23,736            | 2,390                |
| Legal Services Fees          | 1,407               | 16,936            | 16,654            | 1,689                |
| <br>                         |                     |                   |                   |                      |
| Due to County Treasurer:     |                     |                   |                   |                      |
| Regular Fines                | 9,616               | 104,856           | 100,954           | 13,518               |
| Overload Fines               | 75                  | 3,550             | 3,600             | 25                   |
| Regular Fees                 | 978                 | 10,504            | 10,801            | 681                  |
| Petty Cash Fund              | 2,785               | 5,237             | 4,370             | 3,652                |
| <br>                         |                     |                   |                   |                      |
| Due to Municipalities:       |                     |                   |                   |                      |
| Regular Fines                | 120                 | 1,105             | 1,065             | 160                  |
| Regular Fees                 | -                   | -                 | -                 | -                    |
| <br>                         |                     |                   |                   |                      |
| Trust Fund Payable           | 29,216              | 195,344           | 178,334           | 46,226               |
| <b>Total Liabilities</b>     | <u>\$ 52,291</u>    | <u>\$ 438,423</u> | <u>\$ 415,850</u> | <u>\$ 74,864</u>     |

The accompanying notes are an integral part of the schedule.

**BOX BUTTE COUNTY COURT**  
**NOTES TO FINANCIAL SCHEDULES**

For the Period Ended December 31, 2016, and Fiscal Year Ended June 30, 2015

**1. Criteria**

**A. Reporting Entity**

The Box Butte 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 Box Butte 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 2016). 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.