

**ATTESTATION REPORT  
OF  
DAKOTA COUNTY COURT**

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

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**Issued on June 29, 2017**

# DAKOTA COUNTY COURT

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# DAKOTA COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Dakota 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. ***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.

# DAKOTA 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 to 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 that 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.

The following errors were noted:

- For one receipt tested, documentation was not on file to support the receipt of \$32 in court costs. In this case, an order was filed to waive all costs to “any extent possible”; however, the full costs associated with this case were collected and paid out to the appropriate parties.
- For one non-monetary receipt tested, a balance of \$12 was sat out in jail; however, this balance was not waived, and instead was withheld from the bond funds maintained by the Court. This error resulted in an underpayment of \$12 to the defendant.

We recommend the County Court and the Nebraska State Court Administrator review these situations. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. Furthermore, we recommend the County Court implement procedures to ensure that all funds received are properly supported by a court order or other documentation.

*County Court’s Response: Staffing issue (when vacation, sick leave, lunches taken) not enough staff to make this possible.*

### 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 resolve those balances.

During testing of 10 overdue balances, 6, totaling \$2,425, did not have subsequent action taken by the County Court, such as the declaration of certain overdue balances as uncollectible, to ensure the collection and/or resolution of the balances. At the time of fieldwork, the balances had been held by the Court for a period ranging from 398 days to 625 days since the last follow-up action had been taken. As of June 3, 2017, overdue balances, excluding restitution judgments, totaled \$300,436.

# DAKOTA COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 2. Overdue Balances (Concluded)

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

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

*County Court's Response: These were not ignored. Because the Court considers these as judgments, we anticipate action by the prosecutor's office to enforce collection of the same. Reports will continue to be reviewed monthly.*



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### DAKOTA COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Dakota 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, abuse that is 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 that 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.

A handwritten signature in black ink that reads "Mark Avery". The signature is written in a cursive style with a long horizontal stroke extending to the right.

June 27, 2017

Mark Avery, CPA  
Audit Manager  
Lincoln, Nebraska

**DAKOTA COUNTY COURT**  
**DAKOTA CITY, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Period Ending December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and Deposits	\$ 156,556	\$ 1,478,245	\$ 1,480,729	\$ 154,072
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 11,392	\$ 163,957	\$ 166,581	\$ 8,768
Law Enforcement Fees	842	14,319	14,402	759
State Judges Retirement Fund	2,692	52,575	52,297	2,970
Court Administrative Fees	6,995	108,997	110,983	5,009
Legal Services Fees	2,833	47,650	47,613	2,870
Due to County Treasurer:				
Regular Fines	26,794	471,212	473,714	24,292
Overload Fines	9,125	68,575	76,825	875
Regular Fees	1,797	102,078	95,477	8,398
Petty Cash Fund	180	-	30	150
Due to Municipalities:				
Regular Fines	850	4,642	5,217	275
Regular Fees	52	1,857	1,874	35
Trust Fund Payable	93,004	442,383	435,716	99,671
<b>Total Liabilities</b>	<b>\$ 156,556</b>	<b>\$ 1,478,245</b>	<b>\$ 1,480,729</b>	<b>\$ 154,072</b>

The accompanying notes are an integral part of the schedule.

**DAKOTA COUNTY COURT**  
**DAKOTA 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>
<b>ASSETS</b>				
Cash and Deposits	\$ 124,260	\$ 882,707	\$ 850,411	\$ 156,556
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 9,677	\$ 109,869	\$ 108,154	\$ 11,392
Law Enforcement Fees	874	8,741	8,773	842
State Judges Retirement Fund	2,691	27,710	27,709	2,692
Court Administrative Fees	8,385	73,673	75,063	6,995
Legal Services Fees	2,812	28,627	28,606	2,833
Due to County Treasurer:				
Regular Fines	23,995	259,172	256,373	26,794
Overload Fines	75	27,875	18,825	9,125
Regular Fees	2,232	37,463	37,898	1,797
Petty Cash Fund	-	180	-	180
Due to Municipalities:				
Regular Fines	527	7,834	7,511	850
Regular Fees	175	576	699	52
Trust Fund Payable	72,817	300,987	280,800	93,004
<b>Total Liabilities</b>	<u>\$ 124,260</u>	<u>\$ 882,707</u>	<u>\$ 850,411</u>	<u>\$ 156,556</u>

The accompanying notes are an integral part of the schedule.

**DAKOTA 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 Dakota 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 Dakota 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.