

**ATTESTATION REPORT
OF
DAWES COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on June 29, 2017

DAWES COUNTY COURT

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DAWES COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Dawes 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.

DAWES 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. We have included this comment in previous examinations.

The following error was noted:

- Access to and use of the signature stamp was not limited to the individual whose name was on the stamp.

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.

Clerk Magistrate's Response:

Segregation of Duties: Including me, there are 3 full time employees that work in the Dawes County Court. During a normal work day, each of us receives and receipts for funds received by the court. The court office is open over the noon hour as a service to the public. Court staff schedule their lunch break to ensure that there is always one employee in the office over the noon hour. With regular vacations, and occasionally a sick employee, it is impossible for just one person in our office to be responsible for all of the financial transactions of the court on a daily basis.

At the end of each day, each employee balances their respective receipts and furnish me with the funds they have received along with an accounting of the source of those funds. I review those accountings and employees are not allowed to leave unless the financial transactions of the court balance.

While I am not unmindful of your concerns about segregation of duties, with limited personnel an adequate segregation of duties is not possible.

DAWES COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Segregation of Duties (Concluded)

Signature Stamp: With the permission of Judge Harford, I have access to his signature stamp. Judge Harford presides in Dawes, Sheridan and Sioux County, and there have been limited occasions where I have needed his signature on documents when he is not physically present and it is not practical to get his signature by any other means. Judge Harford requires that I contact him for permission before I can use his signature stamp. I never have nor will ever use his signature stamp without his express permission in advance.

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 five overdue balances, two, totaling \$189, did not have subsequent action taken by the County Court, such as the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible. At the time of fieldwork, the balances had been held by the County Court for a period ranging from 296 days to 679 days since the last follow-up action had been taken. As of June 10, 2017, overdue balances, excluding restitution judgments, totaled \$38,020.

Without a 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.

Clerk Magistrate's Response: The Dawes County Court handles over 1,500 traffic and criminal cases each year. I regularly review cases with over-due balances to determine if either the court should issue a warrant or report the case for license suspension for non-compliance. While not minimizing the importance of regular review of over-due balances the two cases with over-due balances reported in this audit bear further explanation.

In one case a warrant was issued for the defendant's arrest. The defendant was arrested in a different county in Nebraska. The warrant allowed for the Defendant to avoid incarceration by pleading guilty to the offense by waiver and paying the fine/costs set out in the warrant. The defendant chose that alternative and paid the fine/costs by waiver and was released. Unfortunately, the warrant contained the wrong amount for the fine/costs, and the Defendant paid less than what the fine/costs should have been. The judge that issued the warrant determined that the Defendant paid what was set out in the warrant, and the Defendant had satisfied payment in full even though it was a lesser amount than what should have been paid. The Judge did a journal entry in the court case setting out his determination but that order did not say the "deficiency" was discharged. I will obtain an order from the Judge discharging the over-due balance reflected in that case.

DAWES COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

In another case, a warrant was issued for the arrest of a defendant. When that warrant was received by the Sheriff, the Sheriff advised me the defendant was deceased. Upon receiving that information, I should have requested the Judge sign an order of discharge discharging the \$50 due in that case. I will obtain that order of discharge.

I will continue to review on a regular and on- going basis overdue balances to ensure that the appropriate action is timely taken.



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DAWES COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

June 23, 2017



Craig Kubicek, CPA, CFE
Assistant Deputy Auditor
Lincoln, Nebraska

DAWES COUNTY COURT
CHADRON, 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
ASSETS				
Cash and Deposits	\$ 41,714	\$ 507,900	\$ 508,998	\$ 40,616
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,620	\$ 70,155	\$ 68,128	\$ 5,647
Law Enforcement Fees	549	7,370	7,475	444
State Judges Retirement Fund	1,781	27,719	27,810	1,690
Court Administrative Fees	2,402	32,160	32,859	1,703
Legal Services Fees	1,703	25,121	25,133	1,691
Due to County Treasurer:				
Regular Fines	10,695	167,533	168,269	9,959
Overload Fines	225	150	375	-
Regular Fees	(144)	10,822	10,407	271
Petty Cash Fund	225	-	-	225
Due to Municipalities:				
Regular Fines	671	12,450	12,228	893
Regular Fees	-	179	179	-
Trust Fund Payable	19,987	154,241	156,135	18,093
Total Liabilities	\$ 41,714	\$ 507,900	\$ 508,998	\$ 40,616

The accompanying notes are an integral part of the schedule.

DAWES COUNTY COURT
CHADRON, 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	\$ 50,393	\$ 392,560	\$ 401,239	\$ 41,714
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,392	\$ 44,421	\$ 44,193	\$ 3,620
Law Enforcement Fees	395	4,640	4,486	549
State Judges Retirement Fund	1,245	14,507	13,971	1,781
Court Administrative Fees	1,706	21,489	20,793	2,402
Legal Services Fees	1,303	15,205	14,805	1,703
Due to County Treasurer:				
Regular Fines	9,530	113,220	112,055	10,695
Overload Fines	50	2,500	2,325	225
Regular Fees	971	10,417	11,532	(144)
Petty Cash Fund	225	-	-	225
Due to Municipalities:				
Regular Fines	1,082	8,246	8,657	671
Regular Fees	134	517	651	-
Trust Fund Payable	30,360	157,398	167,771	19,987
Total Liabilities	\$ 50,393	\$ 392,560	\$ 401,239	\$ 41,714

The accompanying notes are an integral part of the schedule.

DAWES 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 Dawes 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 Dawes 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.