

**ATTESTATION REPORT
OF
DAWSON COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on June 26, 2017

DAWSON COUNTY COURT

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DAWSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Dawson 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. ***Property Presumed Abandoned:*** The County Court did not report and remit to the State Treasurer trust balances that were over three years old, as required by State statute.
3. ***Non-Waiverable Court Costs:*** The County Court waived court costs that, according to State statute, were not 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.

DAWSON 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. 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 errors were noted:

- Access to and use of signature stamps was not limited to the individual whose name was on the stamp.
- Interest earned on investments was not being receipted or adjusted on the case balance in a timely manner.
- Testing identified two court cases showing overdue balances that lacked adequate follow-up by the Court.

We recommend the County Court and the Nebraska State Court Administrator review this situation.

Clerk Magistrate's Response: I have received the Attestation Report of Dawson County Court and have reviewed the findings and discussed them with the Judge and records clerks. We understand the issue of Segregation of Duties and have in the last two years taken steps to comply. We will re-examine our office staff and determine a better way to segregate these duties so that one person does not have the ability to handle all phases of a transaction from beginning to end.

- *The signature stamps that are used have been approved by the County Court Judge and are used solely for waivers on infractions.*
- *The interest earned on investments have been updated on JUSTICE and measures have been taken so that this step is not missed on upcoming payments of interest.*
- *The overdue balances have been paid out and the accounting clerk and myself are monitoring the reports to assure the case balances are paid out in a timely manner.*

DAWSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Property Presumed Abandoned

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

During the audit, it was noted that 10 checks, totaling \$920, were outstanding for over three years.

We recommend the County Court work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

Clerk Magistrate's Response: The unclaimed property report that will be sent in this year with all the unclaimed property for the previous three years will have the 10 checks totaling \$920.00 included. We have reviewed the policies and procedures manual and made notes so that the unclaimed property balance that is sent in on a yearly basis is updated and correct before being sent in.

3. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2016) 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 20 non-monetary receipts and noted two instances, totaling \$34, of non-waiverable court costs that were improperly waived.

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.

Clerk Magistrate's Response: The non-waiverable costs comment has been discussed with the accounting clerk and we are taking precautions to stay in compliance with State Statute.



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DAWSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Dawson 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, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

June 23, 2017

Mark Avery, CPA
Audit Manager
Lincoln, Nebraska

DAWSON COUNTY COURT
LEXINGTON, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Period Ending December 31, 2016

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2016</u>
ASSETS				
Cash and Deposits	\$ 135,177	\$ 2,208,646	\$ 2,089,975	\$ 253,848
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 14,958	\$ 271,655	\$ 272,792	\$ 13,821
Law Enforcement Fees	1,383	26,894	26,623	1,654
State Judges Retirement Fund	4,720	106,095	103,862	6,953
Court Administrative Fees	8,061	150,633	149,774	8,920
Legal Services Fees	5,061	96,183	95,037	6,207
Due to County Treasurer:				
Regular Fines	33,003	575,202	584,392	23,813
Overload Fines	3,225	34,292	37,467	50
Regular Fees	1,008	48,156	44,132	5,032
Petty Cash Fund	325	-	125	200
Due to Municipalities:				
Regular Fines	335	6,352	6,362	325
Regular Fees	328	5,753	6,081	-
Trust Fund Payable	<u>62,770</u>	<u>887,431</u>	<u>763,328</u>	<u>186,873</u>
Total Liabilities	<u>\$ 135,177</u>	<u>\$ 2,208,646</u>	<u>\$ 2,089,975</u>	<u>\$ 253,848</u>

The accompanying notes are an integral part of the schedule.

DAWSON COUNTY COURT
LEXINGTON, 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>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2014</u>			<u>June 30, 2015</u>
ASSETS				
Cash and Deposits	\$ 110,936	\$ 1,273,258	\$ 1,249,017	\$ 135,177
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,502	\$ 173,703	\$ 172,247	\$ 14,958
Law Enforcement Fees	1,314	15,789	15,720	1,383
State Judges Retirement Fund	4,586	52,883	52,749	4,720
Court Administrative Fees	7,372	103,145	102,456	8,061
Legal Services Fees	4,718	56,902	56,559	5,061
Due to County Treasurer:				
Regular Fines	21,622	367,099	355,718	33,003
Overload Fines	3,725	22,575	23,075	3,225
Regular Fees	879	38,811	38,682	1,008
Petty Cash Fund	-	325	-	325
Due to Municipalities:				
Regular Fines	650	4,575	4,890	335
Regular Fees	550	6,550	6,772	328
Trust Fund Payable	<u>52,018</u>	<u>430,901</u>	<u>420,149</u>	<u>62,770</u>
Total Liabilities	<u><u>\$ 110,936</u></u>	<u><u>\$ 1,273,258</u></u>	<u><u>\$ 1,249,017</u></u>	<u><u>\$ 135,177</u></u>

The accompanying notes are an integral part of the schedule.

DAWSON 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 Dawson 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 Dawson 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.