

**ATTESTATION REPORT
OF
HAMILTON COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 29, 2017

HAMILTON COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Period July 1, 2015, to December 31, 2016	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2015	7
Notes to Financial Schedules	8

HAMILTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Hamilton 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. ***Non-Waiverable Court Costs:*** The County Court waived court costs that, according to State statute, were non-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.

HAMILTON 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.

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: Hamilton County Court realizes that authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated activities, we also realize the lack of personnel prohibiting us from having proper internal control structure design is based upon the size and caseload of Hamilton County. The available personnel produce a conscious effort to ensure all duties are completed accurately and in a timely manner. We also have confidence that the addition of Financial Specialists under the direction of the Administrative Office of the Courts, reviewing our financial activity further improves financial control as recommended.

2. 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 15 non-monetary receipts and noted one instance, totaling \$17, 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.

HAMILTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Non-Waiverable Court Costs (Concluded)

County Court's Response: The non-waiverable court costs were waived prior to my appointment as Clerk Magistrate at Hamilton County Court. In the future the Court will strive to follow the proper procedures as listed the administrative manual and require all court employees to do the same to ensure that all costs which are not waiverable are properly claimed to the county for reimbursement.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

HAMILTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Hamilton 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 26, 2017

A handwritten signature in blue ink that reads "Philip J. Olsen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Philip J. Olsen, CPA, CISA
Audit Manager
Lincoln, Nebraska

HAMILTON COUNTY COURT
AURORA, 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	\$ 55,967	\$ 823,741	\$ 807,963	\$ 71,745
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,152	\$ 95,022	\$ 93,595	\$ 5,579
Law Enforcement Fees	417	8,263	8,153	527
State Judges Retirement Fund	1,394	31,650	31,093	1,951
Court Administrative Fees	2,413	41,244	41,637	2,020
Legal Services Fees	1,388	28,832	28,297	1,923
Due to County Treasurer:				
Regular Fines	9,347	247,355	240,912	15,790
Overload Fines	875	28,877	27,825	1,927
Regular Fees	158	9,045	8,823	380
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	60	2,190	1,975	275
Regular Fees	-	37	37	-
Trust Fund Payable	35,663	331,226	325,616	41,273
Total Liabilities	\$ 55,967	\$ 823,741	\$ 807,963	\$ 71,745

The accompanying notes are an integral part of the schedule.

HAMILTON COUNTY COURT
AURORA, 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	\$ 73,048	\$ 418,177	\$ 435,258	\$ 55,967
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,121	\$ 58,509	\$ 59,478	\$ 4,152
Law Enforcement Fees	310	4,755	4,648	417
State Judges Retirement Fund	1,119	15,611	15,336	1,394
Court Administrative Fees	1,613	25,887	25,087	2,413
Legal Services Fees	1,148	16,769	16,529	1,388
Due to County Treasurer:				
Regular Fines	7,861	124,695	123,209	9,347
Overload Fines	250	16,500	15,875	875
Regular Fees	10	7,355	7,207	158
Petty Cash Fund	-	100	-	100
Due to Municipalities:				
Regular Fines	33	1,215	1,188	60
Trust Fund Payable	55,583	146,781	166,701	35,663
Total Liabilities	\$ 73,048	\$ 418,177	\$ 435,258	\$ 55,967

The accompanying notes are an integral part of the schedule.

**HAMILTON 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 Hamilton 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 Hamilton 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.