

**ATTESTATION REPORT
OF
JOHNSON COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on April 13, 2017

JOHNSON COUNTY COURT

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JOHNSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Johnson 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, 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. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure such balances were complete and accurate.
3. ***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.

JOHNSON 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.

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: As stated in the Auditor's recommendation this finding could be eliminated by the hiring of additional staff. I do believe the Financial Audit Specialist appointed by the Administrative Office of the Courts does review any daily balance variances, bank statements, void receipts, non-monetary receipts, check reconciliations and claims every month.

2. Review of Trust Balances

Good internal control requires the County Court to have procedures in place to provide an ongoing, detailed review and resolution of trust balances reflected on the County Court's monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts.

During a review of the County Court's trust balances, we noted the following:

- Six criminal cases had trust balances, totaling \$2,070, which should have been forfeited according to court orders. All balances related to bond funds, which were not forfeited in a timely manner, had delays ranging from 16 months to more than 3 years after the judge's order to forfeit. The table below illustrates the delays in forfeiting the funds.

Case	Amount	Date of Order to Forfeit	Date Actually Forfeited	Delay (in Months)
Case 1	\$225	8/14/2013	10/24/2016	38
Case 2	\$225	10/16/2014	3/21/2017*	29
Case 3	\$225	3/4/2015	11/30/2016	21
Case 4	\$630	9/25/2014	3/21/2017*	30
Case 5	\$315	11/18/2015	3/21/2017*	16
Case 6	\$450	8/26/2015	3/21/2017*	19

**These amounts were forfeited after the APA brought them to the Court's attention.*

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Review of Trust Balances (Concluded)

- One traffic case tested included \$135 in bond appearance funds held in trust since August 30, 2013. The defendant failed to appear for a hearing on October 16, 2013, and nothing had been done with the trust balance on the case in over three years.

A similar finding was noted in the prior report.

Without adequate controls in place to ensure the complete, accurate, and timely review and resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

We recommend the County Court implement procedures to review financial reports, such as the Monthly Case Balance Report, in order to ensure trust balances are timely reviewed for completeness, accuracy, and proper disposition.

County Court's Response: It appears that we will need to continue to monitor this report. We have made progress in this area, but there is still room for needed improvement. All the deficiencies mentioned in the auditor's report have been corrected.

The traffic case mentioned has been set for hearing regarding the forfeiture of the Defendant's bond.

3. 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 otherwise resolve those balances.

During testing of 10 overdue balances, 8, totaling \$2,631, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances. A listing of those cases is outlined in the table below.

Case	Overdue Balance	Date of Last Activity
Case 1	\$77	6/1/2006
Case 2	\$173	2/15/2012
Case 3	\$44	4/29/2004
Case 4*	\$400	9/24/2008
Case 5	\$700	9/30/2009
Case 6	\$267	1/7/2016
Case 7*	\$801	1/4/2017
Case 8	\$169	2/22/2006

**For these cases, jail time was served to pay off the overdue balance, but it was not properly recorded.*

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Overdue Balances (Concluded)

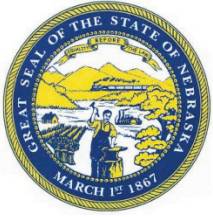
Potential courses of action for follow up on these overdue case balances could include: the issuance of warrants and/or suspensions; a judge's determination and order to waive certain costs, if allowable; or declaration of certain overdue balances as uncollectible. However, the County Court should review these situations on a case-by-case basis in order to determine the correct course of action for each.

As of March 18, 2017, overdue balances, excluding restitution judgments, totaled \$9,898. A similar finding was noted in the prior report.

Without a regular review of overdue case balances, there is an increased risk that the overdue balances may either not have proper follow-up action taken or may 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 Report to ensure timely collection and/or resolution of overdue balances.

County Court's Response: This is an area for which improvement is needed. We are currently reviewing this report and numerous Orders Discharging Liability for Unpaid Fines and Costs will be forthcoming on the majority of the cases cited in the auditor's report.



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JOHNSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Johnson 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. Our responsibility is to express an opinion 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Johnson County Court, as of December 31, 2016, and June 30, 2015, and the related activity for the periods then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as described in Note 1.

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.

April 11, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor

JOHNSON COUNTY COURT
TECUMSEH, 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	\$ 26,465	\$ 567,908	\$ 202,704	\$ 391,669
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,354	\$ 28,418	\$ 29,471	\$ 1,301
Law Enforcement Fees	186	2,415	2,462	139
State Judges Retirement Fund	586	10,168	10,060	694
Court Administrative Fees	1,044	15,919	15,788	1,175
Legal Services Fees	646	9,164	9,183	627
Due to County Treasurer:				
Regular Fines	5,226	58,477	61,142	2,561
Overload Fines	150	3,675	3,825	-
Regular Fees	286	3,594	3,874	6
Petty Cash Fund	-	100	-	100
Due to Municipalities:				
Regular Fines	-	1,035	1,035	-
Regular Fees	14	-	14	-
Trust Fund Payable	15,974	434,943	65,850	385,067
Total Liabilities	<u>\$ 26,466</u>	<u>\$ 567,908</u>	<u>\$ 202,704</u>	<u>\$ 391,670</u>

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
TECUMSEH, 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	\$ 16,824	\$ 169,914	\$ 160,272	\$ 26,466
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,719	\$ 23,446	\$ 22,811	\$ 2,354
Law Enforcement Fees	169	2,030	2,013	186
State Judges Retirement Fund	604	6,654	6,672	586
Court Administrative Fees	994	12,257	12,207	1,044
Legal Services Fees	599	7,233	7,186	646
Due to County Treasurer:				
Regular Fines	3,131	58,083	55,988	5,226
Overload Fines	-	2,600	2,450	150
Regular Fees	2	2,402	2,118	286
Due to Municipalities:				
Regular Fines	25	535	560	-
Regular Fees	15	14	15	14
Trust Fund Payable	9,566	54,660	48,252	15,974
Total Liabilities	\$ 16,824	\$ 169,914	\$ 160,272	\$ 26,466

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Johnson 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 Johnson 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.