

**ATTESTATION REPORT
OF
PAWNEE COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on April 11, 2017

PAWNEE COUNTY COURT

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PAWNEE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Pawnee 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. ***Incorrectly Paid Trust Balances:*** The County Court did not correctly pay out two trust balances. The first error resulted in an underpayment of \$150, and the second error resulted in an overpayment of \$17.

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.

PAWNEE 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.

Clerk Magistrate'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. Incorrectly Paid Trust Balances

Sound accounting practices and good internal control require adequate procedures to be in place to ensure complete, accurate, and timely application and remittance or refund of all payments received.

The County Court did not correctly pay out two trust balances to defendants. The first error resulted in an underpayment of \$150, and the second error resulted in an overpayment of \$17. Details of the two errors are illustrated in the table below.

Case	Amount Received	Amount Paid to Defendant	Correct Amount to Be Paid	Under (Over) Payment
Trust Balance 1	\$1,500	\$1,350	\$1,500	\$150
Trust Balance 2	\$50	\$50	\$33	(\$17)
Totals	\$1,550	\$1,400	\$1,533	\$133

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

PAWNEE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

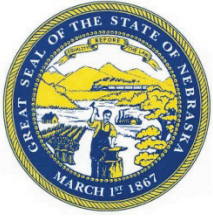
(Concluded)

2. Incorrectly Paid Trust Balances (Concluded)

We recommend the County Court implement procedures, such as a complete and thorough review of the case file prior to issuing payment, to ensure complete, accurate, and timely remittance of all payments.

Clerk Magistrate's Response: I initially disagreed with the \$150 underpayment finding, as it was the 10% portion of a bond on a case that I was advised that the County Attorney intended to file, but was waiting for an analysis of evidence from the NE State Patrol Crime Lab. My feeling was that if a case was going to be filed (since a Nolo Prosequi had not been filed – just a request to refund the bond to the Defendant), that the 10% previously remitted to the State Treasurer was correct. I have since learned that the County Court Judge could ask for the posting of another 10% bond when the case is filed. The \$150 has subsequently been refunded to the Defendant.

Regarding the \$17.00 overpayment, this was an issue where the non-waiverable costs had been claimed to the County and paid to the State Treasurer. When funds were eventually collected from the Defendant, I missed the step of adding back the reimbursement to the County. I have contacted the Defendant and he intends to pay the \$17.00.



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PAWNEE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Pawnee 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 Pawnee 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 6, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor

PAWNEE COUNTY COURT
PAWNEE CITY, 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	\$ 10,980	\$ 105,217	\$ 106,531	\$ 9,666
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,239	\$ 18,649	\$ 18,838	\$ 1,050
Law Enforcement Fees	90	1,889	1,867	112
State Judges Retirement Fund	280	7,358	7,210	428
Court Administrative Fees	354	9,430	8,983	801
Legal Services Fees	308	6,730	6,645	393
Due to County Treasurer:				
Regular Fines	1,248	32,082	30,519	2,811
Overload Fines	-	-	-	-
Regular Fees	72	1,851	1,716	207
Petty Cash Fund	-	100	-	100
Due to Municipalities:				
Regular Fines	-	695	695	-
Trust Fund Payable	7,389	26,433	30,058	3,764
Total Liabilities	<u>\$ 10,980</u>	<u>\$ 105,217</u>	<u>\$ 106,531</u>	<u>\$ 9,666</u>

The accompanying notes are an integral part of the schedule.

PAWNEE COUNTY COURT
PAWNEE CITY, 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	\$ 8,318	\$ 70,774	\$ 68,112	\$ 10,980
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,220	\$ 12,814	\$ 12,795	\$ 1,239
Law Enforcement Fees	111	1,212	1,233	90
State Judges Retirement Fund	440	3,957	4,117	280
Court Administrative Fees	845	5,922	6,413	354
Legal Services Fees	456	4,207	4,355	308
Due to County Treasurer:				
Regular Fines	1,718	19,671	20,141	1,248
Overload Fines	-	1,400	1,400	-
Regular Fees	37	1,699	1,664	72
Due to Municipalities:				
Regular Fines	-	210	210	-
Regular Fees	-	20	20	-
Trust Fund Payable	3,491	19,662	15,764	7,389
Total Liabilities	\$ 8,318	\$ 70,774	\$ 68,112	\$ 10,980

The accompanying notes are an integral part of the schedule.

PAWNEE 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 Pawnee 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 Pawnee 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.