

**ATTESTATION REPORT
OF
PHELPS COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on June 6, 2017

PHELPS COUNTY COURT

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PHELPS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Phelps County Court, we noted certain deficiencies and other operational matters that are presented here. The following comments are 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. ***Unclaimed Property/Overpayments:*** The County Court did not report and remit trust balances to the State Treasurer that were over three years old as required by State statute and prescribed by the Nebraska State Court Administrator's office.

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.

PHELPS 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.

The following errors were noted:

- Access to signature stamps is not limited to the individual whose name is on the stamp.
- One instance of fines and cost not being applied timely, resulting in an erroneous suspension of the individual's license.

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.

County Court's Response: Due to being a two person Court it is almost impossible to segregate our duties. We do the best we can by taking turns balancing the end of month reports, reviewing the outstanding balances, checking each other's deposits and cash drawers, taking turns taking deposit to the bank, recounting large cash payments at the counter when receipting. We try to find other ways to segregate our duties but in a small court it is necessary for both clerks to know all of the aspects of the Court.

2. Unclaimed Property

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 as abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), provides any unclaimed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year. The Court Accounting Manual issued by the Nebraska State Court Administrator's Office states that any overpayment of \$5 or less shall be recorded as an overpayment in JUSTICE. This money will be remitted to the Nebraska State Treasurer as unclaimed property.

PHELPS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Unclaimed Property (Concluded)

For 40 of 50 case balances tested, the County Court did not remit overpayments ranging from \$1 to \$5, which were over three years old to unclaimed property. The Court created a 10th Judicial District Policy in which such overpayments adjust the fine to include the overpayment amount in the judgment.

We recommend the County Court implement procedures to ensure overpayments are handled as directed by the Court Accounting Manual and in compliance with State statute.

County Court's Response: The Court did submit the unclaimed property annually, it just did not include the overpayments. Each case where the overpayment was adjusted to the fine contains an Order signed by a Judge from the Tenth Judicial District. We will change the procedure until we hear back on whether we should follow our Judge's procedure or the Court's procedure.



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PHELPS COUNTY COURT

INDEPENDENT ACCOUNTANTS' REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Phelps 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 1, 2017



Craig Kubicek, CPA, CFE
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PHELPS COUNTY COURT
HOLDREGE, 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	\$ 67,090	\$ 558,644	\$ 589,409	\$ 36,325
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,883	\$ 75,771	\$ 77,689	\$ 3,965
Law Enforcement Fees	356	6,008	6,010	354
State Judges Retirement Fund	1,208	25,405	24,943	1,670
Court Administrative Fees	2,410	34,017	34,095	2,332
Legal Services Fees	1,299	22,091	22,079	1,311
Due to County Treasurer:				
Regular Fines	8,438	138,178	140,440	6,176
Overload Fines	725	29,050	29,725	50
Regular Fees	128	7,486	7,516	98
Petty Cash Fund	-	200	-	200
Due to Municipalities:				
Regular Fines	278	1,717	1,947	48
Regular Fees	129	1,935	2,014	50
Trust Fund Payable	46,236	216,786	242,951	20,071
Total Liabilities	\$ 67,090	\$ 558,644	\$ 589,409	\$ 36,325

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 39,079	\$ 403,734	\$ 375,723	\$ 67,090
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,046	\$ 52,224	\$ 50,387	\$ 5,883
Law Enforcement Fees	338	4,197	4,179	356
State Judges Retirement Fund	1,136	14,545	14,473	1,208
Court Administrative Fees	2,237	27,493	27,320	2,410
Legal Services Fees	1,165	14,700	14,566	1,299
Due to County Treasurer:				
Regular Fines	10,417	106,802	108,781	8,438
Overload Fines	150	4,475	3,900	725
Regular Fees	286	9,699	9,857	128
Due to Municipalities:				
Regular Fines	260	2,108	2,090	278
Regular Fees	200	1,721	1,792	129
Trust Fund Payable	18,844	165,770	138,378	46,236
Total Liabilities	\$ 39,079	\$ 403,734	\$ 375,723	\$ 67,090

The accompanying notes are an integral part of the schedule.

**PHELPS 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 Phelps 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 Phelps 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.