

**ATTESTATION REPORT
OF
YORK COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on May 12, 2017

YORK COUNTY COURT

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YORK COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the York 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. ***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.
3. ***Cash Variance:*** The County Court cash drawer balance noted in the accounting system was not accurate.
4. ***Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure payment 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.

YORK 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.

In addition, the APA noted the following errors, which might have been detected had sufficient control procedures been in place:

- One non-monetary receipt waived \$17 of fees that cannot be waived per State statute. Such fees should have been claimed to the County and then remitted to the State Treasurer, rather than waived.
- The September 2015 Summary Fee Forecast Report was not available either imaged in the accounting system or as a hardcopy on file in the County Court office, and the report cannot be recreated.

We recommend the County Court and the Nebraska State Court Administrator review all of the concerns identified above. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

County Court's Response: In response to Segregation of Duties, we have the following procedure: upon balancing cash drawer daily, we each give our deposit to another staff person to verify that the amounts are correct and initials the cash drawer sheet. One person prepares the daily deposit and someone else takes it to the bank. We try to mix this up so it is not the same person doing the same thing.

2. 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 resolve those balances.

During testing of 10 overdue balances, 5, totaling \$1,553, did not have subsequent action taken by the County Court to ensure resolution of the balances. Four of the overdue case balances, totaling \$1,402, should have been waived after documentation requesting the waiver was provided. All four of the balances were subsequently waived after the APA brought this matter to the County Court's attention. Those balances are shown in the table below.

YORK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Overdue Balances (Concluded)

Case	Balance Owed	Date of Waiver Doc	Date Waived	Waiver Doc Description
CR 15-542	\$735	6/3/2016	4/25/2017	Defendant served jail time against balance.
CR 15-259	\$449	10/8/2015*	4/26/2017	Defendant served jail time against balance.
CR 12-271	\$148	1/27/2017	4/24/2017	Judge ordered balance uncollectible.
CR 13-488	\$70	7/28/2016	4/24/2017	Judge ordered balance waived.
Total	\$1,402			

*Waiver documentation was not received and added to the case file until 4/26/2017, after questioned by the APA.

The fifth overdue case balance tested was for \$151 owed to the County Court. A judge had ordered the balance to be paid with jail time served on June 15, 2016; however, the County Court did not follow up with the jail to obtain documentation that the sentencing was completed and the balance offset until after requested by the APA.

As of March 31, 2017, overdue balances, excluding restitution judgments, totaled \$25,868.

Without a regular review of overdue case balances, as set out in the Overdue Case Account maintained by the County Court, there is an increased risk that overdue balances may either not have proper follow-up action taken or 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 reports to ensure timely collection and/or resolution of overdue balances.

County Court's Response: With regard to the overdue case account balances, I have requested that the Overdue Case Account Report be printed on a regular basis and that has been done. We have made corrections noted by the Auditor and are continuing to review this report and making corrections where necessary.

3. Cash Variance

Good internal control requires procedures to be in place to ensure all receipt activity is properly recorded in the accounting system.

The County Court improperly recorded \$50 in change drawer cash as being deposited in the accounting system; however, the actual cash in the drawer was not deposited. The error appeared to be an attempt to correct a variance due to a receipt that may not have been properly entered into the system. The error occurred in November 2014.

When receipts are not properly entered into the accounting system, there is an increased risk of loss or theft of public funds.

YORK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Cash Variance (Concluded)

We recommend the County Court implement procedures to ensure all receipts are entered accurately and timely, and variances in the daily cash drawers are properly resolved each day.

County Court's Response: With regard to the cash variance, we are still checking into this matter to get it resolved.

4. Trust Balances

Good internal control procedures and sound business practices require trust balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to refund and/or resolve those balances. Such procedures should include reviewing the 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 the APA's review of a sample of 36 of the County Court's trust balances, totaling \$8,369, we noted errors on 5 of those balances. Details on these errors are summarized below.

- Two criminal cases, with trust balances totaling \$498, were not followed up on until questioned by the APA. The first case held a bond balance of \$450 after the defendant had failed to appear in August 2016. A motion to forfeit the bond was subsequently filed in April 2017. The second case held a \$48 overpayment balance that was not returned to the defendant until April 2017.
- No documentation was available to support that the County Court had attempted to return two overpayments of non-case balances amounting to \$196. The balances had been received in August and September of 2014.
- The County Court erroneously attempted to return a \$31 payment to the defendant; however, the payment should have actually gone to the County for reimbursement of costs previously paid. The attempted payment was not cashed and, therefore, could be voided and corrected.

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 monitor financial reports, such as the Monthly Case Balance Report and the Non-Case Receipt Report, in order to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.

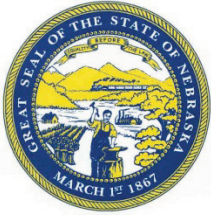
YORK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. **Trust Balances** (Concluded)

County Court's Response: With regard to the review of trust balances, we are continuing to monitor this report. Corrections have been made on the items listed on the auditor's report and we will continue to monitor the report and make corrections necessary. Some procedures had been made to alleviate some of these problems prior to audit but would not be reflected on this audit.



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YORK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the York 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, 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.

May 10, 2017



Craig Kubicek, CPA, CFE
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YORK COUNTY COURT
YORK, 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	\$ 80,682	\$ 957,650	\$ 956,153	\$ 82,179
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,701	\$ 132,726	\$ 133,827	\$ 5,600
Law Enforcement Fees	574	9,715	9,733	556
State Judges Retirement Fund	2,029	41,851	41,542	2,338
Court Administrative Fees	3,605	52,658	53,555	2,708
Legal Services Fees	2,126	36,216	36,061	2,281
Due to County Treasurer:				
Regular Fines	15,112	251,619	249,354	17,377
Overload Fines	150	13,375	12,800	725
Regular Fees	1,153	36,453	35,762	1,844
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	120	2,100	2,160	60
Regular Fees	-	-	-	-
Trust Fund Payable	48,962	380,937	381,359	48,540
Total Liabilities	\$ 80,682	\$ 957,650	\$ 956,153	\$ 82,179

The accompanying notes are an integral part of the schedule.

YORK COUNTY COURT
YORK, 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	\$ 88,422	\$ 601,477	\$ 609,217	\$ 80,682
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,135	\$ 83,962	\$ 84,396	\$ 6,701
Law Enforcement Fees	534	6,121	6,081	574
State Judges Retirement Fund	2,185	22,405	22,561	2,029
Court Administrative Fees	3,296	39,030	38,721	3,605
Legal Services Fees	1,996	22,692	22,562	2,126
Due to County Treasurer:				
Regular Fines	10,248	150,766	145,902	15,112
Overload Fines	1,675	9,225	10,750	150
Regular Fees	1,079	11,165	11,091	1,153
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	234	510	624	120
Regular Fees	-	-	-	-
Trust Fund Payable	59,890	255,601	266,529	48,962
Total Liabilities	\$ 88,422	\$ 601,477	\$ 609,217	\$ 80,682

The accompanying notes are an integral part of the schedule.

YORK 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 York 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 York 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.