

**ATTESTATION REPORT
OF
BUTLER COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on March 7, 2018

BUTLER COUNTY COURT

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BUTLER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Butler 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.

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.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

The office of the County Court lacked a sufficient 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. The following errors were noted as a result of the lack of segregation of duties:

- No attempt was made by the County Court to refund a \$36 traffic citation overpayment received more than three years ago, in August 2014.
- A \$149 payment was received on November 21, 2016, but had not been applied to fines and costs as of February 15, 2018, almost three months after its initial receipt.
- A \$200 bond was received on August 11, 2016, but \$20 had not been applied to bond fees as of February 15, 2018.

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.

Due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. Furthermore, 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: Regarding segregation of duties, you are correct that I am able to handle all aspects of processing transactions from beginning to end. In a small office, in order to receipt for the money when it is received, everyone needs to be able to issue receipts. Two of us are able to sign checks. The daily deposits are prepared and taken to the bank by me. I do the monthly balancing. I do the daily review of reports, and disbursements of the fees. In addition, all accounting reports are imaged and reviewed remotely by an independent accounting specialist.

2. Overdue Balances

We determined that the County Court failed to take subsequent action on 9 of 10 overdue case balances tested, totaling \$720. Such action would include the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible and would ensure the collection or resolution of the case balances.

As of February 17, 2018, overdue balances, excluding restitution judgments, totaled \$15,270. A similar finding was noted in the prior year audit.

BUTLER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

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 or otherwise resolve those balances. Without such procedures, there is an increased risk overdue balances may not have proper follow-up action taken or that balances may be 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.

Clerk Magistrate's Response: My plan to remedy this situation is to pull each case file and complete the actions needed to be taken to clear these cases from this report.



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BUTLER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Butler County Court
David City, Nebraska 68632

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Butler County Court as of and for the period July 1, 2015, to December 31, 2016, and the fiscal year ending December 31, 2017. 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 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 December 31, 2017, is 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.

March 6, 2018



Philip J. Olsen, CPA, CISA
Assistant Deputy Auditor
Lincoln, Nebraska

BUTLER COUNTY COURT
DAVID CITY, 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	\$ 46,978	\$ 456,782	\$ 443,222	\$ 60,538
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,015	\$ 51,809	\$ 51,655	\$ 3,169
Law Enforcement Fees	264	4,374	4,366	272
State Judges Retirement Fund	847	17,693	17,483	1,057
Court Administrative Fees	1,898	32,462	32,444	1,916
Legal Services Fees	945	15,857	15,806	996
Due to County Treasurer:				
Regular Fines	8,918	139,597	139,710	8,805
Overload Fines	100	3,400	3,500	-
Regular Fees	584	13,451	12,922	1,113
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	-	1,785	1,785	-
Regular Fees	-	-	-	-
Trust Fund Payable	30,307	176,354	163,551	43,110
Total Liabilities	\$ 46,978	\$ 456,782	\$ 443,222	\$ 60,538

The accompanying notes are an integral part of the schedule.

BUTLER COUNTY COURT
DAVID CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended December 31, 2017

	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2017</u>
ASSETS				
Cash and Deposits	\$ 60,538	\$ 293,096	\$ 316,270	\$ 37,364
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,169	\$ 34,510	\$ 35,037	\$ 2,642
Law Enforcement Fees	272	2,972	3,002	242
State Judges Retirement Fund	1,057	12,885	12,767	1,175
Court Administrative Fees	1,916	21,170	21,262	1,824
Legal Services Fees	996	11,579	11,627	948
Due to County Treasurer:				
Regular Fines	8,805	109,693	108,554	9,944
Overload Fines	-	675	525	150
Regular Fees	1,113	12,582	13,419	276
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	-	800	790	10
Regular Fees	-	-	-	-
Trust Fund Payable	43,110	86,230	109,287	20,053
Total Liabilities	<u>\$ 60,538</u>	<u>\$ 293,096</u>	<u>\$ 316,270</u>	<u>\$ 37,364</u>

The accompanying notes are an integral part of the schedule.

BUTLER COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Period Ended December 31, 2016, and Fiscal Year Ended December 31, 2017

1. Criteria

A. Reporting Entity

The Butler 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 Butler 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.