

**ATTESTATION REPORT
OF
CHEYENNE COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on March 14, 2018

CHEYENNE COUNTY COURT

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| <u>Comments Section</u> | |
| Summary of Comments | 1 |
| Comments and Recommendations | 2 - 4 |
| <u>Financial Section</u> | |
| Independent Accountant's Report | 5 - 6 |
| Financial Schedules: | |
| Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Period July 1, 2015, to December 31, 2016 | 7 |
| Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2017 | 8 |
| Notes to Financial Schedules | 9 |

CHEYENNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Cheyenne 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 #2, "Monthly Report Review," which is considered to be a significant deficiency and 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. ***Monthly Report Review:*** The Monthly Case Balance Report was not adequately reviewed, with corrective action taken when necessary to resolve issues.

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.

CHEYENNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

The office of the County Court lacked 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.

Additionally, the following issues were noted:

- One County Court employee had access to her own court case in the system. During the time period reviewed, the APA found that the County Court employee recorded a garnishment payment of \$187 to her own case in order to reduce the balance owed. The APA requested support for 4 of 15 garnishment transactions recorded to the County Court employee's case, including support for the garnishment payment that the employee recorded to her own case, and found that documentation is not kept of garnishment transactions entered into the system. This is because the County Court does not receipt the monies in; rather, the funds go directly to the plaintiff. Due to the lack of documentation, the APA was unable to determine if the garnishment transactions recorded to the employee's case were proper. Garnishment receipts entered on the employee's case during the time period reviewed totaled \$2,782.
- Additionally, during a separate case file test, the APA found that the County Court did not have support for three other non-monetary transactions, totaling \$211, for which monies were not receipted; rather, those funds were also paid directly to the plaintiff.

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. 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 consider this to be a material weakness.

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. Additionally, we recommend the County Court implement procedures to ensure employees do not record activity to their own court cases. Furthermore, we recommend the County Court implement procedures to ensure adequate documentation is on file to support all transactions, including non-monetary receipts, entered into its system.

CHEYENNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Segregation of Duties** (Concluded)

Clerk Magistrate's Response: Cheyenne County continues to work towards better handling of the segregation of duties issue in the Court. We have varying persons do the daily balancing and taking the deposit to the bank. The first issue in the comment of segregation of duties, the staff who issued a garnishment transfer receipt in their own case was looked into, and it is being addressed. I would note, that in looking at the date the auditor stated it was receipted, that staff was working that full week on her own in the Cheyenne County Court due to other staff being out of the office. This payment should have been placed in the safe and left for other staff upon their return, and will be handled that way in the future should something like this arise again. On the 2nd issue in this comment garnishment checks are received from garnishees making payment to the plaintiffs in civil/small claims cases, and staff have followed the procedures taught to them at JUSTICE trainings as far as the process of entering receipts for garnishment transfer payments.

2. **Monthly Report Review**

Good internal control requires the County Court to have procedures that provide for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report.

While examining the December 30, 2016, and December 31, 2017, case balance reports, the APA tested 24 balances and found that 3 of them were not current. The APA noted the following regarding those three balances:

- One case had a balance of \$225 at December 31, 2016, related to a bond payment that was ordered to be forfeited in October 2016. The bond was not forfeited until November 2017, more than a year later.
- One case had a balance of \$6,176 at December 31, 2016, which was due back to the defendant. The balance should have been paid out in July 2014; however, the County Court did not attempt to pay the defendant until August 2017, more than three years later.
- One case had a balance of \$225 at December 31, 2017, related to a bond payment that was ordered to be forfeited in December 2017. The bond was not forfeited until the APA brought it to the County Court's attention in February 2018.

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, or other irregularities, which would not be detected and resolved in a timely manner.

We recommend the County Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report, and resolve any unusual balances in a complete, accurate, and timely manner.

CHEYENNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Monthly Report Review (Concluded)

Clerk Magistrate's Response: Two of the comments indicate that bonds were forfeited but the process was not completed on JUSTICE, and we are working on this as well such as double checking journals to make sure the bond forfeiture process is completed on the JUSTICE system the day of the hearings. The other issue in this comment was based on payment to a defendant in a civil case who over paid and payment was delayed. In looking at that case I see that the payment was going to go to unclaimed property, and with the assistance of the financial specialist staff we worked to locate and get payment to the defendant. We will continue to work on reports.



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CHEYENNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Cheyenne County Court
Sidney, Nebraska 69162

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Cheyenne County Court as of and for the period July 1, 2015, to December 31, 2016, and the calendar 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 calendar 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

March 8, 2018

Mark Avery, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

CHEYENNE COUNTY COURT
SIDNEY, 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 | \$ 69,534 | \$ 740,479 | \$ 738,241 | \$ 71,772 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 6,663 | \$ 102,076 | \$ 103,965 | \$ 4,774 |
| Law Enforcement Fees | 609 | 8,622 | 8,851 | 380 |
| State Judges Retirement Fund | 2,107 | 35,121 | 35,657 | 1,571 |
| Court Administrative Fees | 3,958 | 54,001 | 55,541 | 2,418 |
| Legal Services Fees | 2,116 | 30,963 | 31,587 | 1,492 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 10,187 | 204,633 | 207,186 | 7,634 |
| Overload Fines | 150 | 7,602 | 7,752 | - |
| Regular Fees | 1,053 | 18,923 | 19,482 | 494 |
| Petty Cash Fund | 75 | - | - | 75 |
| | | | | |
| Due to Municipalities: | | | | |
| Regular Fines | 1,114 | 23,965 | 24,065 | 1,014 |
| Regular Fees | - | 2,453 | 2,453 | - |
| | | | | |
| Trust Fund Payable | 41,502 | 252,120 | 241,702 | 51,920 |
| Total Liabilities | \$ 69,534 | \$ 740,479 | \$ 738,241 | \$ 71,772 |

The accompanying notes are an integral part of the schedule.

CHEYENNE COUNTY COURT
SIDNEY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar 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 | \$ 71,772 | \$ 501,788 | \$ 520,967 | \$ 52,593 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 4,774 | \$ 66,158 | \$ 66,976 | \$ 3,956 |
| Law Enforcement Fees | 380 | 5,649 | 5,708 | 321 |
| State Judges Retirement Fund | 1,571 | 23,958 | 23,921 | 1,608 |
| Court Administrative Fees | 2,418 | 30,981 | 31,884 | 1,515 |
| Legal Services Fees | 1,492 | 21,392 | 21,624 | 1,260 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 7,634 | 135,460 | 136,475 | 6,619 |
| Overload Fines | - | 2,025 | 2,025 | - |
| Regular Fees | 494 | 9,484 | 9,634 | 344 |
| Petty Cash Fund | 75 | - | - | 75 |
| | | | | |
| Due to Municipalities: | | | | |
| Regular Fines | 1,014 | 21,038 | 19,776 | 2,276 |
| Regular Fees | - | 1,884 | 1,884 | - |
| | | | | |
| Trust Fund Payable | 51,920 | 183,759 | 201,060 | 34,619 |
| Total Liabilities | <u>\$ 71,772</u> | <u>\$ 501,788</u> | <u>\$ 520,967</u> | <u>\$ 52,593</u> |

The accompanying notes are an integral part of the schedule.

CHEYENNE COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Cheyenne 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 Cheyenne 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.