

**ATTESTATION REPORT
OF
DAKOTA COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2017

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Issued on March 6, 2018

DAKOTA COUNTY COURT

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DAKOTA COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Dakota 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.

DAKOTA 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 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.

We noted that 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; 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: I was not appointed as Clerk Magistrate until December 1, 2017. This Court was under staffed for over half of last year. In total we had four employees either retire or leave for new positions. It was not until January 22, 2018, that we were able to replace just one of the vacancies. For the months of November and December 2017 our office ran with only two staff members compared to the five we had ten months earlier. Being under staffed caused a hardship in maintaining our segregation of duties. Due to lack of staff we had no choice but to complete the work as it came in and keep the Court functioning. As I mentioned earlier we did add a new employee in January and now have another starting March 13, 2018.

By adding two new additional staff members the Segregation of Duties will solve its self by delegating certain duties so not one person is handling all phases of transactions from beginning to end. I will have only on staff member void receipts, two will write receipts, I will be the only on to write checks, and the bank reconciliation will be done by the Assistant Clerk and I will monitor her one month and the next month we will switch and she will monitor me.

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 or otherwise resolve those balances.

During testing of 10 overdue balances, 4 balances, totaling \$196, did not have subsequent action taken, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, by the County Court to ensure collection and/or resolution of the balances. As of the date of testing, one case had not been followed up on for 226 days. As of February 3, 2018, overdue balances, excluding restitution judgments, totaled \$300,743.

DAKOTA COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

Without a regular review of overdue case balances, there is an increased risk that such balances may either not have proper follow-up action taken or have been previously resolved and should no longer be designated as overdue. This comment was a finding in the previous examination.

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: The Overdue Balance report will once again be worked monthly. Statements will be sent out in a timely manner and warrants on cases that have past due time pays will be issued weekly. With the additional staff members it will not be an issue to work this report in a timely manner as it was previously.



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DAKOTA COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Dakota County Court
Dakota City, Nebraska 68731

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Dakota County Court as of the fiscal year ending December 31, 2017. The County Court's management is responsible for the Schedule based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule 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 Schedule is 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 Schedule 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 Schedule, 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for 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 Schedule, 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 Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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 5, 2018



Philip J. Olsen, CPA, CISA
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Lincoln, Nebraska

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

For the Fiscal Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 154,072	\$ 888,453	\$ 892,225	\$ 150,300
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 8,768	\$ 105,878	\$ 108,490	\$ 6,156
Law Enforcement Fees	759	9,397	9,461	695
State Judges Retirement Fund	2,970	37,968	38,047	2,891
Court Administrative Fees	5,009	61,769	61,015	5,763
Legal Services Fees	2,870	33,867	34,403	2,334
Due to County Treasurer:				
Regular Fines	24,292	287,935	284,347	27,880
Overload Fines	875	26,775	26,100	1,550
Regular Fees	8,398	59,088	66,151	1,335
Petty Cash Fund	150	-	-	150
Due to Municipalities:				
Regular Fines	275	1,522	1,797	-
Regular Fees	35	1,127	1,155	7
Trust Fund Payable	99,671	263,127	261,259	101,539
Total Liabilities	\$ 154,072	\$ 888,453	\$ 892,225	\$ 150,300

The accompanying notes are an integral part of the schedule.

DAKOTA COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended December 31, 2017

1. Criteria

A. Reporting Entity

The Dakota 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 Schedule 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 Schedule does 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 Dakota County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions has 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.