

**ATTESTATION REPORT
OF
FRONTIER COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on April 5, 2018

FRONTIER COUNTY COURT

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FRONTIER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Frontier 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, “Overdue Balances,” 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. ***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. ***Unclaimed Property:*** The County Court did not report and remit to the State Treasurer trust balances over three years old, as required by State statute.

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.

FRONTIER 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.

Additionally, the following issues were noted:

- One trust balance held, totaling \$98, was received on November 29, 2017, but was not applied to the related criminal case until January 18, 2018.
- During testing, the County Court failed to take timely action on 4 of 18 case balances, totaling \$346. These balances included \$31 in overpayments and \$315 in bond appearances that should have been paid out or applied, with proper documentation, to fees or fines, as the cases had closed more than one year ago.
- For one non-monetary receipt tested that waived fees of \$699, the APA could not verify if the amount waived was accurate, as there was still an outstanding balance on the case for \$180 of probation fees. Per the court order, dollar-for-dollar credit was to be given “on fines and costs for any monies paid by the Probationer for treatment and aftercare.” The APA observed an invoice showing the cost of treatment for the Probationer, which was more than enough to cover the remaining balance due of \$180.
- During testing of 15 receipts, the APA was unable to trace a receipt of \$50 for State fines to a court order to ensure the fine amount collected was appropriate. It is important for the County Court to have documentation for the fine assessed to ensure that the defendant paid all that was owed for the offense.

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. Furthermore, we recommend the County Court take action to ensure trust and case balances are applied appropriately. Additionally, we recommend the County Court ensure both waived fees and fines are properly supported with clear documentation.

FRONTIER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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

County Court's Response: While the report was being drafted several of the problems were being corrected as the audit was being done: balances were refunded, bonds were applied to fines and costs, and proof shown for any non-monetary receipts waiving fees. For any fines collected other than a waiver amount was by agreement with Prosecutor office and defendant and the court only accepted what was done. Segregation of Duties has always been difficult with only a one person office.

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, 5, totaling \$1,308, did not have subsequent action taken by the County Court, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, to ensure collection and/or resolution of the balances. As of February 17, 2018, overdue balances, excluding restitution judgments, totaled \$12,267. A similar finding was noted in the previous examination.

Without a regular review of the Overdue Case Account reports, 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 designated as 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: The Overdue balances were reviewed with the Auditor and some of the balances did have warrants issued, and were not reviewed timely but will try to do this monthly.

3. **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 to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

During the examination period, it was noted that two checks, totaling \$34, were outstanding for over three years but had not been reported and remitted to the State Treasurer in compliance with State statute.

FRONTIER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. **Unclaimed Property** (Concluded)

We recommend the County Court work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

County Court's Response: Unclaimed property was not remitted as there was only minimal dollars to report, but will be done no matter how much is involved in the future and will remit whatever is on hand.



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FRONTIER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Frontier County Court
Stockville, Nebraska 69042

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Frontier 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 that reads "Mark Avery". The signature is written in a cursive style with a long horizontal stroke extending to the right.

March 29, 2018

Mark Avery, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

FRONTIER COUNTY COURT
STOCKVILLE, 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	\$ 18,386	\$ 192,677	\$ 202,976	\$ 8,087
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,942	\$ 26,539	\$ 27,631	\$ 850
Law Enforcement Fees	147	2,232	2,273	106
State Judges Retirement Fund	458	8,686	8,716	428
Court Administrative Fees	556	12,299	12,434	421
Legal Services Fees	497	8,046	8,123	420
Due to County Treasurer:				
Regular Fines	2,232	38,569	38,753	2,048
Overload Fines	25	2,950	2,746	229
Regular Fees	2	2,650	2,633	19
Petty Cash Fund	-	20	-	20
Due to Municipalities:				
Regular Fines	-	25	25	-
Trust Fund Payable	12,527	90,661	99,642	3,546
Total Liabilities	\$ 18,386	\$ 192,677	\$ 202,976	\$ 8,087

The accompanying notes are an integral part of the schedule.

FRONTIER COUNTY COURT
STOCKVILLE, 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	\$ 8,087	\$ 94,620	\$ 87,523	\$ 15,184
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 850	\$ 19,289	\$ 16,998	\$ 3,141
Law Enforcement Fees	106	927	1,002	31
State Judges Retirement Fund	428	4,676	4,772	332
Court Administrative Fees	421	5,961	6,236	146
Legal Services Fees	420	4,085	4,358	147
Due to County Treasurer:				
Regular Fines	2,048	17,792	18,609	1,231
Overload Fines	229	1,975	2,204	-
Regular Fees	19	1,537	1,554	2
Petty Cash Fund	20	-	-	20
Due to Municipalities:				
Regular Fines	-	125	75	50
Trust Fund Payable	<u>3,546</u>	<u>38,253</u>	<u>31,715</u>	<u>10,084</u>
Total Liabilities	<u><u>\$ 8,087</u></u>	<u><u>\$ 94,620</u></u>	<u><u>\$ 87,523</u></u>	<u><u>\$ 15,184</u></u>

The accompanying notes are an integral part of the schedule.

**FRONTIER 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 Frontier 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 Frontier 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.