

**ATTESTATION REPORT
OF
HOWARD COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on February 16, 2018

HOWARD COUNTY COURT

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HOWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Howard 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. ***Petty Cash/Change Fund:*** The County Court change fund was not properly approved and noted in the County Budget Message.

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.

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

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 errors were noted:

- During testing, we noted the County Court failed to take timely action to pay out 4 of 16 case balances tested, totaling \$405. Two of these four case balances had overpayments, totaling \$130, that were not refunded until notified by the APA during fieldwork.

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 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: In response to the lack of segregation of duties finding in Howard County Court audit report. I would like to relay the steps taken to help alleviate the issue. One person prepares the daily Deposit, and the other person carries the deposit to the bank. When cash is taken in by one person, the cash is verified by the other person at the time of the daily balancing. All financial transactions and reports are periodically reviewed by a financial specialist. While I appreciate your comments, I believe Howard County Court is complying as much as possible with the limited personnel.

In response to the timely payout comment. I have taken care of the items listed and will continue to do so in the future now that it is my responsibility and not the previous administration.

2. Petty Cash/Change Fund

During testing, it was noted that the County Court holds \$40, received from the County, for making change, which was neither formally authorized by the County Board nor reported in the County budget document.

Neb. Rev. Stat. § 23-106(2) (Reissue 2012) states the following:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Petty Cash/Change Fund** (Concluded)

When the County's petty cash funds are not properly authorized by the County Board and disclosed in the budget message of the County budget document, the County is not in compliance with State statute.

We recommend the County Court work with the County Board to have its change fund properly approved and reported in the County Budget Message.

Clerk Magistrate's Response: As far as the \$40 used only for the purpose of making change. The previous Clerk Magistrate submitted a claim to the County on 05/23/2016 which was approved and paid to the court on 06/14/2016. We have 2 cash drawers each retain \$20 for change. I went before the County Commissioners on 02/13/2018 and they are drawing up a resolution with regard to the amount in question and will be included in the annual budget submitted to the county from here on out.



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HOWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Howard County Court
St. Paul, Nebraska 68873

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

February 14, 2018



Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

HOWARD COUNTY COURT
ST. PAUL, 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	\$ 38,961	\$ 428,628	\$ 434,688	\$ 32,901
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,085	\$ 63,031	\$ 65,681	\$ 2,435
Law Enforcement Fees	593	8,251	8,504	340
State Judges Retirement Fund	1,774	29,251	29,757	1,268
Court Administrative Fees	3,685	35,039	37,080	1,644
Legal Services Fees	1,934	27,403	28,123	1,214
Due to County Treasurer:				
Regular Fines	11,828	145,417	148,145	9,100
Overload Fines	-	11,125	11,125	-
Regular Fees	523	5,195	5,652	66
Petty Cash Fund	-	40	-	40
Due to Municipalities:				
Regular Fines	-	1,140	1,090	50
Regular Fees	-	17	17	-
Trust Fund Payable	13,539	102,719	99,514	16,744
Total Liabilities	\$ 38,961	\$ 428,628	\$ 434,688	\$ 32,901

The accompanying notes are an integral part of the schedule.

HOWARD COUNTY COURT
ST. PAUL, 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	\$ 32,901	\$ 261,219	\$ 225,335	\$ 68,785
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,435	\$ 35,062	\$ 34,613	\$ 2,884
Law Enforcement Fees	340	3,190	3,315	215
State Judges Retirement Fund	1,268	13,155	13,437	986
Court Administrative Fees	1,644	15,564	16,145	1,063
Legal Services Fees	1,214	12,032	12,416	830
Due to County Treasurer:				
Regular Fines	9,100	68,872	70,085	7,887
Overload Fines	-	2,700	2,075	625
Regular Fees	66	2,795	2,517	344
Petty Cash Fund	40	-	-	40
Due to Municipalities:				
Regular Fines	50	750	800	-
Regular Fees	-	17	17	-
Trust Fund Payable	16,744	107,082	69,915	53,911
Total Liabilities	\$ 32,901	\$ 261,219	\$ 225,335	\$ 68,785

The accompanying notes are an integral part of the schedule.

HOWARD 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 Howard 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 Howard 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.