

**ATTESTATION REPORT
OF
KEYA PAHA COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on April 13, 2018

KEYA PAHA COUNTY COURT

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KEYA PAHA COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Keya Paha 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. ***Manual Receipts:*** The County Court did not enter receipts recorded in the manual receipt book into the JUSTICE system timely.

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.

KEYA PAHA 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 am the Clerk Magistrate over two counties, Brown and Keya Paha and do not have anyone to oversee my transactions. I travel one day a month to Keya Paha County on court days. With the addition of the financial specialist under the direction of the Administrative office of the Courts, the court trusts that we will be able to further improve the financial control as recommended due to the checks and balances that are now being performed. My specialist is out of Grand Island and she contacts me on anything that she sees may need addressed.

2. Manual Receipts

The County Court is open only one day each month. Consequently, when someone attempts to make a payment on any other day, the Clerk of the District Court receipts those funds to the County Court, records the receipt in a manual receipt book, and sends the manual receipt and the funds received to the Clerk Magistrate, who works in a different court on those days when she is not at the County Court. The Clerk Magistrate then enters the manual receipt into the JUSTICE system and deposits the accompanying money into the bank.

During testing, the APA found that 3 of 11 manual receipts tested were not entered into the JUSTICE system timely. The following table details those delays:

| Manual Receipt Date | JUSTICE Receipt Date | # of Days Between Manual Receipt and JUSTICE Receipt | Receipt Amount |
|---------------------|----------------------|--|-----------------|
| July 15, 2015 | August 13, 2015 | 29 days | \$ 17 |
| August 11, 2015 | August 26, 2015 | 15 days | 73 |
| November 13, 2015 | November 24, 2015 | 11 days | 1,089 |
| Total | | | \$ 1,179 |

KEYA PAHA COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Manual Receipts (Concluded)

Additionally, during review of the manual receipts written during the examination period, the APA found that \$1,032 in cash was collected by the Clerk of the District Court. The Clerk Magistrate stated this cash was not mailed to her, as is the normal process for checks; however, the APA was not able to verify this.

Good internal control and sound business practices require procedures to ensure that manual receipts are entered into the JUSTICE system timely. Such procedures should ensure, moreover, that cash receipts are not sent through the mail.

Without those procedures, there is an increased risk of not only the balance owed being shown incorrectly as overdue, possibly causing the improper issuance of a warrant and/or suspension, but also the mailed cash being lost in transit or misappropriated.

We recommend the County Court implement procedures to ensure all manual receipts are entered into the JUSTICE system timely. Additionally, we recommend the County Court maintain documentation to support that cash collected was not sent through the mail to the Clerk Magistrate.

Clerk Magistrate's Response: In May of 2016, I was audited for the period of June 2014, through June 2015. At that time the manual receipt comment was made. The date of the three receipts that are listed on my most recent audit, you will see that they were receipts prior to May 2016. These receipts were written before the audit was performed. Since that time, I have worked diligently to train our officers to encourage online payments. I have also given the officers small labels with my address in Brown County so payments are received directly to Brown County where I work Monday through Friday.

In regards to the cash being sent through the mail, cash was not mailed to Brown County. I spoke with the Clerk of the District Court, who is the individual who takes filings and accepts payments when I am not in the office. She stated that no cash payments were ever mailed rather kept until I was in Springview. There have also been a few occasions when she has had to make a trip to Brown County and has brought filings and payments to me in Brown County. The receipt for \$1,089.00 was issued on November 24, 2015, which was a court day and I would have issued it in Keya Paha County. I have also put in place that if the clerk receives a cash payment to contact me and I will make a trip over to receipt and deposit funds promptly.



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KEYA PAHA COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Keya Paha County Court
Springview, Nebraska 68778

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



Zachary Wells, CPA
Audit Manager
Lincoln, Nebraska

April 9, 2018

KEYA PAHA COUNTY COURT
SPRINGVIEW, 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 | \$ 3,488 | \$ 33,827 | \$ 28,585 | \$ 8,730 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 597 | \$ 9,935 | \$ 8,161 | \$ 2,371 |
| Law Enforcement Fees | 58 | 460 | 505 | 13 |
| State Judges Retirement Fund | 198 | 1,777 | 1,921 | 54 |
| Court Administrative Fees | 288 | 2,838 | 2,857 | 269 |
| Legal Services Fees | 169 | 1,563 | 1,682 | 50 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 1,150 | 7,870 | 8,570 | 450 |
| Overload Fines | - | 1,225 | 1,225 | - |
| Regular Fees | - | 440 | 440 | - |
| | | | | |
| Due to Municipalities: | | | | |
| Regular Fines | 25 | 25 | 50 | - |
| | | | | |
| Trust Fund Payable | 1,003 | 7,694 | 3,174 | 5,523 |
| Total Liabilities | \$ 3,488 | \$ 33,827 | \$ 28,585 | \$ 8,730 |

The accompanying notes are an integral part of the schedule.

KEYA PAHA COUNTY COURT
SPRINGVIEW, 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 | \$ 8,730 | \$ 22,372 | \$ 28,807 | \$ 2,295 |
| | | | | |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 2,371 | \$ 4,686 | \$ 6,716 | \$ 341 |
| Law Enforcement Fees | 13 | 374 | 354 | 33 |
| State Judges Retirement Fund | 54 | 1,731 | 1,605 | 180 |
| Court Administrative Fees | 269 | 2,655 | 2,778 | 146 |
| Legal Services Fees | 50 | 1,442 | 1,344 | 148 |
| | | | | |
| Due to County Treasurer: | | | | |
| Regular Fines | 450 | 6,619 | 6,694 | 375 |
| Overload Fines | - | 2,450 | 2,450 | - |
| Regular Fees | - | 35 | 35 | - |
| | | | | |
| Trust Fund Payable | 5,523 | 2,380 | 6,831 | 1,072 |
| Total Liabilities | <u>\$ 8,730</u> | <u>\$ 22,372</u> | <u>\$ 28,807</u> | <u>\$ 2,295</u> |

The accompanying notes are an integral part of the schedule.

**KEYA PAHA 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 Keya Paha 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 Keya Paha 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.