

**ATTESTATION REPORT
OF
MADISON COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on June 11, 2018

MADISON COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
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	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2017	7
Notes to Financial Schedules	8

MADISON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Madison 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. ***Monthly Report Review:*** The Monthly Case Balance Report and Overdue Case Account Report were not reviewed, with corrective action being taken in a timely manner, 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.

MADISON 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.

Additionally, we noted that access to signature stamps is not limited to the individual whose name is on the stamp. We have included this comment in previous examinations.

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 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: While I understand that Madison County has multiple employees, each employee is assigned to a certain division of the Court and it is their responsibility for adding cases and follow through on the case, during which time all cases have fees with them, so that employee is responsible for receipting those funds and disbursement of those funds if necessary. I watch VOIDED receipts closely and case notes are always made of why a receipt was VOIDED. At the end of the day at least 2 – 3 times per week we trade our cash drawers and balance out someone else's cash drawer. This works well for my Court.

APA Response: We continue to recommend the Court review the situation to ensure one individual does not handle all aspects of a transaction from beginning to end since there are multiple employees available as noted in the Court's response. Furthermore, while voided receipts are closely monitored, the individual reviewing the receipts is also capable of entering voids into the system.

2. Monthly Report Review

During the audit, the following was noted:

- One bond held, totaling \$135, was not forfeited in compliance with the court order in a timely manner. The bond was ordered forfeited in August 2016; however, it was not applied to fines and costs until March 2017, over seven months later.
- One criminal case tested indicated probation and substance abuse testing fees, totaling \$330, were still owed; however, no action had been taken regarding this balance since September 2015.

MADISON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Monthly Report Review (Concluded)

Good internal control and sound business practices require the County Court to have procedures for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and Overdue Case Account Report, to ensure timely and appropriate follow-up action is taken to resolve any unattached and/or unusual balances found therein.

Without such procedures, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner.

We recommend the County Court implement procedures for a detailed review of all monthly financial reports, including the Monthly Case Balance Report and Overdue Case Account Report, to resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

Clerk Magistrate's Response: The auditor found a bond that had not been forfeited, we do look at the bond lists occasionally so I am not sure why that one was missed. The bond was forfeited after the defendant was arrested on the warrant and staff discovered that the bond had not been paid out.

The other comment on a probation order that the Judge ordered that the outstanding probation fees would stand as a civil judgment and no action had been taken to collect the balance. At one point one of our Judges made this order for a short period of time, this is no longer a practice and it is the opinion of the Court the State could use that order to try and collect the outstanding fees, if the State does not want to collect it the Court will not take action.

We will continue to watch that all guidelines are followed to the best of our ability.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

MADISON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Madison County Court
Madison, Nebraska 68748

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



Kris Kucera, CPA, CFE
Audit Manager
Lincoln, Nebraska

June 7, 2018

MADISON COUNTY COURT
MADISON, 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	\$ 147,792	\$ 1,884,041	\$ 1,895,029	\$ 136,804
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 11,896	\$ 220,701	\$ 222,399	\$ 10,198
Law Enforcement Fees	998	21,335	21,267	1,066
State Judges Retirement Fund	3,096	80,522	79,260	4,358
Court Administrative Fees	7,693	160,766	159,955	8,504
Legal Services Fees	3,368	71,678	71,049	3,997
Due to County Treasurer:				
Regular Fines	22,270	509,724	508,076	23,918
Overload Fines	1,200	22,375	21,325	2,250
Regular Fees	1,086	36,675	34,856	2,905
Petty Cash Fund	250	250	-	500
Due to Municipalities:				
Regular Fines	9,981	132,026	136,170	5,837
Regular Fees	490	14,565	14,269	786
Trust Fund Payable	85,464	613,424	626,403	72,485
Total Liabilities	\$ 147,792	\$ 1,884,041	\$ 1,895,029	\$ 136,804

The accompanying notes are an integral part of the schedule.

MADISON COUNTY COURT
MADISON, 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	\$ 136,804	\$ 1,056,748	\$ 1,064,986	\$ 128,566
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 10,198	\$ 123,905	\$ 125,336	\$ 8,767
Law Enforcement Fees	1,066	12,440	12,557	949
State Judges Retirement Fund	4,358	53,795	53,685	4,468
Court Administrative Fees	8,504	92,370	93,932	6,942
Legal Services Fees	3,997	47,196	47,643	3,550
Due to County Treasurer:				
Regular Fines	23,918	263,874	269,658	18,134
Overload Fines	2,250	8,500	10,375	375
Regular Fees	2,905	16,795	17,337	2,363
Petty Cash Fund	500	-	-	500
Due to Municipalities:				
Regular Fines	5,837	71,403	70,928	6,312
Regular Fees	786	4,764	5,309	241
Trust Fund Payable	72,485	361,706	358,226	75,965
Total Liabilities	<u>\$ 136,804</u>	<u>\$ 1,056,748</u>	<u>\$ 1,064,986</u>	<u>\$ 128,566</u>

The accompanying notes are an integral part of the schedule.

**MADISON 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 Madison 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 Madison 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.