

**ATTESTATION REPORT
OF
RICHARDSON COUNTY COURT
JULY 1, 2015, THROUGH DECEMBER 31, 2017**

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Issued on April 18, 2018

RICHARDSON COUNTY COURT

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RICHARDSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Richardson 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, Trust Balances, and Non-Case Receipts,” 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, Trust Balances, and Non-Case Receipts:*** The County Court did not review its overdue balances, trust balances, and non-case receipts on an ongoing, timely basis to ensure collection, payment, 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. Where no response has been included, the County Court declined to respond. 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.

RICHARDSON 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 errors were noted:

- For one case, fees of \$17 were collected from the County when they should not have been.
- A traffic case was settled by community service; however, there was not an order or other documentation supporting that this was allowable.

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.

2. Overdue Balances, Trust Balances, and Non-Case Receipts

The County Court failed to review its Overdue Case Account reports, Monthly Case Balance reports, and Report of Non-Case Receipts on an ongoing, timely basis, resulting in problems with the management of certain case balances.

Testing of five overdue balances revealed that three, totaling \$388, did not have subsequent action taken by the County Court, such as the issuance of warrants and/or suspensions or the declaration of certain overdue balances as uncollectible, to ensure collection and/or resolution of the balances. As of February 24, 2018, overdue balances, excluding restitution judgments, totaled \$35,173.

Testing of 10 case balances, other than traffic cases, revealed that 3, totaling \$678, were not followed up on in a timely manner, as summarized below:

- One case with a \$405 balance since April 2014 was not paid out until July 20, 2017. No adequate documentation was on file to support why this balance was not paid out sooner.
- One case had a \$48 balance at December 31, 2016. Though received for court costs on November 21, 2016, the money was recorded to the holding account and not applied to the case until January 13, 2017.

RICHARDSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Overdue Balances, Trust Balances, and Non-Case Receipts** (Concluded)

- One case had a \$225 bond balance at December 31, 2017. The defendant passed away in September 2016, leaving unpaid fines and costs of \$383. The balance was remaining on the case as of February 24, 2018.

Testing of 10 traffic case balances revealed that 4, totaling \$595, were not followed up on in a timely manner. Also, during testing of five non-case receipts as of December 31, 2016, it was found that two, totaling \$298, were not applied to the appropriate cases in a timely manner. In all six cases, the defendants had paid the fines and costs for a traffic violation, but they did not submit a waiver/plea of guilty. The County Court held the receipts in trust until the judge issued a judgment submitting a plea of guilty on behalf of the defendants, then the County Court applied the receipts to the fines and cost accounts and to the appropriate cases. This process took between 6-19 months to complete.

Good internal control and sound business practices require procedures to ensure that overdue balances, trust balances, and non-case receipts of the County Court are reviewed on an ongoing, timely basis to determine what action should be taken to collect or otherwise resolve those balances.

Without such procedures, there is an increased risk of these balances either not having proper follow-up action taken or having been previously resolved but incorrectly designated as still being overdue.

We recommend the County Court implement procedures for an ongoing, timely review of its Overdue Case Account reports, Monthly Case Balance reports, and Report of Non-Case Receipts to ensure timely collection, payment, and/or resolution of case balances.

County Court's Response: The Court will review these reports on a more regular basis.



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RICHARDSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Richardson County Court
Falls City, Nebraska 68355

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



Kris Kucera, CPA, CFE
Audit Manager
Lincoln, Nebraska

April 16, 2018

RICHARDSON COUNTY COURT
FALLS CITY, 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	\$ 29,989	\$ 642,852	\$ 602,729	\$ 70,112
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,303	\$ 68,852	\$ 68,261	\$ 3,894
Law Enforcement Fees	384	9,196	8,945	635
State Judges Retirement Fund	1,410	32,466	31,478	2,398
Court Administrative Fees	2,343	45,919	45,021	3,241
Legal Services Fees	1,342	30,453	29,646	2,149
Due to County Treasurer:				
Regular Fines	5,165	211,268	205,281	11,152
Overload Fines	-	1,650	1,650	-
Regular Fees	1,236	10,218	10,976	478
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	665	19,939	18,925	1,679
Regular Fees	-	230	230	-
Trust Fund Payable	14,091	212,661	182,316	44,436
Total Liabilities	\$ 29,989	\$ 642,852	\$ 602,729	\$ 70,112

The accompanying notes are an integral part of the schedule.

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

For the Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 70,112	\$ 366,833	\$ 366,762	\$ 70,183
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,894	\$ 46,437	\$ 46,623	\$ 3,708
Law Enforcement Fees	635	6,103	6,174	564
State Judges Retirement Fund	2,398	25,062	24,859	2,601
Court Administrative Fees	3,241	31,609	32,328	2,522
Legal Services Fees	2,149	22,395	22,407	2,137
Due to County Treasurer:				
Regular Fines	11,152	135,339	137,553	8,938
Overload Fines	-	3,100	375	2,725
Regular Fees	478	4,561	4,559	480
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	1,679	14,216	14,798	1,097
Regular Fees	-	44	44	-
Trust Fund Payable	44,436	77,967	77,042	45,361
Total Liabilities	\$ 70,112	\$ 366,833	\$ 366,762	\$ 70,183

The accompanying notes are an integral part of the schedule.

**RICHARDSON 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 Richardson 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 Richardson 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.