

**ATTESTATION REPORT
OF
HAMILTON COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on June 17, 2019

HAMILTON COUNTY COURT

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HAMILTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Hamilton 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. ***Unclaimed Property:*** Contrary to State statute, the County Court did not report and remit trust balances over three years old to the State Treasurer.

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.

HAMILTON 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 may not be 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 error was noted:

- Two voided checks, totaling \$862, were not maintained on file for subsequent inspection.

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.

County Court's Response: Hamilton County Court realizes that authorization or approval of transactions, recording of transactions, and custody of assets should normally be segregated activities; reality is this is a two-person office with both parties having the duty of receipting monies. One person prepares the daily deposit and the other person proceeds to take the deposit to the bank. We recognize this issue cannot be properly addressed as it would require the Supreme Court to add more personnel and this is not a viable option nor will this area of concern be likely to change in the foreseeable future. The available personnel makes a conscious effort to ensure all duties are completed accurately and in a timely manner. Additionally, financial specialists under the direction of the Administrative Office of the Courts review all financial transactions and reports on a regular basis, which further improves financial control as recommended.

The Assistant Clerk shredded the two voided checks. This error resulted in a training opportunity and new procedures to be established to avoid this action from happening again in the future.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018), 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 2018), requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

HAMILTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Unclaimed Property (Concluded)

During the audit, it was noted that 18 checks, totaling \$205, were outstanding for over three years. Past due outstanding check dates ranged from July 14, 2014, through June 9, 2015.

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: It truly was an oversight on the part of the clerk magistrate that the outstanding checks noted were not voided, receipts adjusted and monies not remitted to the State Treasurer as unclaimed property in a timely manner. Steps will be taken to avoid this oversight in the future and has been brought to the attention of the financial specialists so they can also review this report for accuracy in following proper procedures.



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HAMILTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Hamilton County Court
Aurora, Nebraska 68818

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Hamilton County Court as of and for the calendar years ending December 31, 2017, and December 31, 2018. 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 calendar years ending December 31, 2017, and December 31, 2018, 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 all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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.

The purpose of this report is to express an opinion on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. Janssen", with a long horizontal flourish extending to the right.

June 10, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

HAMILTON COUNTY COURT
AURORA, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar Year Ended December 31, 2018

	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2018</u>
ASSETS				
Cash and Deposits	\$ 55,028	\$ 497,169	\$ 510,543	\$ 41,654
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,197	\$ 52,594	\$ 53,846	\$ 2,945
Law Enforcement Fees	481	5,590	5,752	319
State Judges Retirement Fund	2,143	26,090	26,623	1,610
Court Administrative Fees	2,493	25,448	26,554	1,387
Legal Services Fees	1,795	21,473	22,009	1,259
Due to County Treasurer:				
Regular Fines	13,777	199,245	204,305	8,717
Overload Fines	1,100	12,849	13,649	300
Regular Fees	531	7,406	7,789	148
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	150	425	575	-
Trust Fund Payable	28,261	146,049	149,441	24,869
Total Liabilities	<u>\$ 55,028</u>	<u>\$ 497,169</u>	<u>\$ 510,543</u>	<u>\$ 41,654</u>

The accompanying notes are an integral part of the schedule.

HAMILTON COUNTY COURT
AURORA, 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	\$ 71,745	\$ 465,713	\$ 482,430	\$ 55,028
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,579	\$ 56,964	\$ 58,346	\$ 4,197
Law Enforcement Fees	527	5,652	5,698	481
State Judges Retirement Fund	1,951	24,066	23,874	2,143
Court Administrative Fees	2,020	27,204	26,731	2,493
Legal Services Fees	1,923	21,630	21,758	1,795
Due to County Treasurer:				
Regular Fines	15,790	163,155	165,168	13,777
Overload Fines	1,927	17,349	18,176	1,100
Regular Fees	380	6,725	6,574	531
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	275	1,035	1,160	150
Trust Fund Payable	41,273	141,933	154,945	28,261
Total Liabilities	\$ 71,745	\$ 465,713	\$ 482,430	\$ 55,028

The accompanying notes are an integral part of the schedule.

**HAMILTON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES**

For the Calendar Years Ending December 31, 2017, and December 31, 2018

1. Criteria

A. Reporting Entity

The Hamilton 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 Hamilton 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 or collected. 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 2018) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.