

**AUDIT REPORT
OF
JOHNSON COUNTY COURT**

JULY 1, 1998 THROUGH JUNE 30, 1999

JOHNSON COUNTY COURT

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JOHNSON COUNTY COURT

SUMMARY OF COMMENTS

During our audit of Johnson County Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. Segregation of Duties
2. Balancing Procedures
3. Register of Action Cards/Docket Records
4. Outstanding Check Procedures
5. Statement of Cash Position

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the Court.

Draft copies of this report were furnished to the Court to provide them 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 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 will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A system of internal control should include proper segregation of duties so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the office of the County Court had a lack of segregation of duties since one person was capable of handling all aspects of processing a transaction from beginning to end. However, due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. Personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous audits.

We recommend the County Court along with 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. Balancing Procedures

Sound accounting practice requires procedures be in place to ensure office records agree to bank activity on at least a monthly basis. In addition, sound accounting practice and good internal control requires the total of the subsidiary ledger account balances reconcile to the control amount per the cash and fee ledger.

During our audit, we noted the following:

- The County Court last performed monthly balancing procedures, including bank statement reconciliations, in July 1999. With no balancing procedures being performed for the period of August 1999 through April 2000, variances in office records to the bank activity can not be detected and reconciled.
- As of June 30, 1999, the County Court's subsidiary trust ledger balances totaled \$8 less than the cash and fee ledger trust control amount.
- Although the County Court attempted to perform monthly balancing procedures during the audit period July 1998 through June 1999, numerous errors were noted in the Court's balancing records. These errors included:

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. Balancing Procedures (Continued)

1. The County Court's June 30, 1999 bank reconciliation listed ten checks, totaling \$734, as outstanding, even though those checks had cleared the bank in prior months. A \$20 check which was outstanding June 30, 1999 was not included on the Court's reconciliation. The Court's June 30, 1999 bank reconciliation listed three checks as outstanding for amounts different from the amounts for which the actual checks had been issued.
2. The County Court's June 30, 1999 list of trust balances did not include two cases, totaling \$137, which were in the Court's possession at fiscal year end. In addition, the Court had two cases listed with incorrect balances, a variance of \$101.
3. In March 1999, figures in the cash and fee ledger were incorrectly carried forward from the bottom on one page to the subsequent page, resulting in \$652 in fees and fines not being remitted. Also in March 1999, investment interest of \$44.53 was incorrectly receipted for \$44.93, a variance of \$.40. This interest was not posted within the fee columns of the cash and fee ledger, and, therefore, was also not remitted. The Court was unaware of these errors.

When the County Court does not perform sound monthly balancing procedures there is no assurance the office records being maintained are adequate, which increases the possibility of undetected loss, theft, or misuse of funds.

We strongly recommend the County Court perform monthly balancing procedures to ensure the office records reconcile to bank records and subsidiary ledgers. We further recommend the Court remit the \$697 of March 1999 fees and fines which were on hand at June 30, 1999.

COURT'S RESPONSE: I AM IN AGREEMENT, SLOPPY BOOKKEEPING HAS CONTRIBUTED TO SEVERAL ERRORS AS DESCRIBED IN YOUR COMMENTS. AN EMPHASIS HAS BEEN RELAYED TO THE STAFF, THAT ACCURACY IS ESSENTIAL. ALL RECORDS FROM JULY 1999 TO PRESENT ARE CURRENTLY BEING REVIEWED TO CORRECT ANY ERRORS THEREIN. ALL FEES AND FINES NOTED IN ITEM #3 HAVE BEEN DISBURSED IN MAY 2000. INTEREST IN THE AMOUNT OF \$44.53 HAS BEEN DISBURSED TO THE STATE DEPARTMENT OF ROADS.

3. Register of Action Cards/Docket Records

Sound accounting practice requires the Court's docket records completely and accurately document the financial activity of each case.

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

3. Balancing Procedures (Concluded)

During the audit, we noted several instances in which the County Court's computerized Register of Action Cards/Docket Records did not reflect all of the financial activity of the court cases. When the County Court does not record all of the financial activity of a case on the Register of Action Cards/Docket Records, there is an increased risk the Court could either underpay or overpay on case balances.

We recommend all financial activity be recorded on the County Court's Register of Action Cards/Docket Records.

COURT'S RESPONSE: STANDARD PROCEDURE IN THIS OFFICE SINCE 1983 HAS BEEN TO GENERATE A REGISTER OF ACTIONS ON THE COMPUTER, WITH ALL AVAILABLE INFORMATION AT THE TIME OF FILING. A COPY IS PRINTED, MARKED "PENDING" AND FILED IN A 3 RING BINDER. [WHICH CONSTITUTES AN ALPHABETICAL INDEX] THAT COMPUTER FILE IS THEN COPIED TO A "PERMANENT" DISK AS A "BACKUP" COPY. AS THE CASE PROGRESSES, ADDITIONAL FILINGS ARE POSTED TO THE "WORKING DISK". ONCE THE CASE IS COMPLETED, FINES AND/OR FEES ARE RECEIVED, AND THE CASE CLOSED, THAT FILE IS ONCE AGAIN COPIED FROM THE "WORKING" DISK TO THE "PERMANENT" DISK, OVERWRITING THE BACKUP FILE. A COPY IS THEN PRINTED FOR THE 3 RING BINDER, REPLACING THE "PENDING" COPY, BECOMING A PERMANENT "HARD COPY" RECORD OF THE COMPLETED FILE. IT APPEARS THAT THE INCOMPLETE "BACKUP" COPIES WERE VIEWED BY YOUR OFFICE IN A FEW INSTANCES, CAUSING CONCERN THAT ALL FINANCIAL ACTIVITY HAD NOT BEEN POSTED.

4. Outstanding Check Procedures

State Statute Section 69-1307.01 R.R.S. 1996, requires intangible personal property which is being held by any court and has remained unclaimed by the owner for more than three years be presumed abandoned. State Statute Section 69-1310 R.R.S. 1996, requires all such property presumed abandoned be reported and remitted to the State Treasurer. In addition, good internal control requires that the court have follow-up procedures in place for reviewing the unclaimed intangible personal property in its possession, including outstanding checks issued.

During the audit, we noted the County Court does not perform follow-up procedures on old outstanding checks. Furthermore, as of May 11, 2000, six checks, totaling \$30, had been outstanding in excess of three years but had not been remitted to the State Treasurer as unclaimed property.

We recommend the County Court implement procedures to routinely follow up on all old outstanding checks and remit unclaimed property to the State Treasurer in accordance with State Statutes.

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

5. Statement of Cash Position

The Statement of Cash Position for fiscal year ending June 30, 1999 was not filed with the Nebraska Auditor of Public Accounts. The Statement of Cash Position identifies the dollar amount of activity for each court, and is used in the preparation of the State of Nebraska's Comprehensive Annual Financial Report (CAFR). The CAFR staff used information obtained in the prior year because the Statement of Cash Position was not filed.

We recommend the County Court file the Statement of Cash Position in a timely manner.

STATE OF NEBRASKA
Auditor of Public Accounts



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JOHNSON COUNTY COURT
INDEPENDENT AUDITORS' REPORT

We have audited the financial statement of Johnson County Court as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. The financial statement is the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as noted in the fourth paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and is not intended to present fairly the financial position and results of operations of Johnson County Court in conformity with generally accepted accounting principles.

We were unable to verify all agency fund receipts, disbursements and balances were recorded in the Court. The Court's records did not permit the application of auditing procedures to the agency activity.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to determine all agency activity for the Court was recorded, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Johnson County Court as of June 30, 1999, and the related activity for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 11, 2000, on our consideration of Johnson County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in cursive script that reads "Deann Hauffman CPA".

Deputy State Auditor

May 11, 2000

JOHNSON COUNTY COURT
TECUMSEH, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 1999

Exhibit A

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
ASSETS				
Cash and Deposits	\$ 4,103	\$ 691,074	\$ 459,108	\$ 236,069
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 14,835	\$ 14,815	\$ 20
Law Enforcement Fees	-	760	742	18
Interest	-	383	338	45
State Judges Retirement Fund	-	868	858	10
Automation Fees	-	30	27	3
Legal Services Fees	-	854	836	18
Due to County Treasurer:				
Regular Fines	-	33,187	32,639	548
Regular Fees	-	2,105	2,105	-
Due to Municipalities,				
Regular Fines	-	1,622	1,587	35
Trust Fund Benefits,				
Payable	4,103	636,430	405,161	235,372
Total Liabilities	\$ 4,103	\$ 691,074	\$ 459,108	\$ 236,069

See Notes to Financial Statement.

**JOHNSON COUNTY COURT
NOTES TO FINANCIAL STATEMENT**

June 30, 1999

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Johnson 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 Statement of Changes in Assets and Liabilities of the County Court reflects only the Agency Funds activity of the Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The financial statement does not reflect the personal services expenses of the Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Johnson County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Statement of Changes in Assets and Liabilities has been prepared, on the modified accrual basis of accounting. Under this basis 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 because they are generally not measurable until actually received. Likewise, disbursements are shown as deductions to assets and 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 State Statute Section 25-2713, R.R.S. 1995. Funds are generally consolidated in an interest-bearing checking account; however, the 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 State Statute Section 77-2326.04, R.R.S. 1996, to be secured either by a surety bond or pledged collateral securities.

The June 30, 1999, carrying amount of total deposits which includes checking accounts and savings accounts was \$236,069. The bank balance was \$241,141. All funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a bank or trust company in this state other than the depository bank.

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**JOHNSON COUNTY COURT
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statement of Johnson County Court as of and for the year ended June 30, 1999, and have issued our report thereon dated May 11, 2000 which was qualified because we were unable to verify all agency activity of the Court. The report was also modified to emphasize that the financial statement presents only the Agency Funds of Johnson County Court. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Johnson County Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of Johnson County Court in the Comments Section of this report as Comment Number 4 (Outstanding Check Procedures).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Johnson County Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control

over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Johnson County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Segregation of Duties), Comment Number 2 (Balancing Procedures) and Comment Number 3 (Register of Action Cards/Docket Records).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider comment numbers 1, 2 and 3 to be material weaknesses. We also noted other matters involving internal control over financial reporting that we have reported to management of the Johnson County Court in the Comments Section of the report as Comment Number 5 (Statement of Cash Position).

This report is intended solely for the information and use of the Court, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Deann Hauffman CPA".

Deputy State Auditor

May 11, 2000