

**AUDIT REPORT
OF
POLK COUNTY COURT**

JULY 1, 1999 THROUGH JUNE 30, 2000

POLK COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2
<u>Financial Section</u>	
Independent Auditors' Report	3 - 4
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2000	5
Notes to Financial Statement	6
<u>Government Auditing Standards Section</u>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	7 - 8

POLK COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Polk 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. Inadequate Documentation

More detailed information on the above items is provided hereafter. It should be noted that 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. The Court declined to respond.

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

POLK 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 transactions from beginning to end. However, because the Court is a one-person office, 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. Inadequate Documentation

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. A good internal control should include adequate documentation to support office transactions.

One of fifteen receipts tested did not have adequate documentation to support the fine charged. There was no documentation, court order, or State Statute to support a \$75 fine charged by the Court.

Also, the Court did not maintain adequate documentation for interest paid on a probate case. Since the amount received for the case was not immediately paid out, the money was deposited into the Court's checking account and earned interest. When the case was paid, the documentation of the interest calculation provided by the Court's bank was not adequate to support the amount of interest.

The possibility for the loss or misuse of funds increases without proper documentation.

We recommend the Court implement procedures to ensure supporting documentation exists and is adequate for all Court transactions.

STATE OF NEBRASKA
Auditor of Public Accounts



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

Mr. Joseph C. Steele
State Court Administrator
Room 1220 - State Capitol Building
Lincoln, Nebraska 68509

POLK COUNTY COURT

INDEPENDENT AUDITORS' REPORT

We have audited the financial statement of Polk County Court as of and for the fiscal year ended June 30, 2000, 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.

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 Polk County Court in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Polk County Court as of June 30, 2000, 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 30, 2001, on our consideration of Polk County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 30, 2001

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

Deputy State Auditor

POLK COUNTY COURT
OSCEOLA, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
ASSETS				
Cash and Deposits	\$ 13,806	\$ 179,949	\$ 179,709	\$ 14,046
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,373	\$ 24,229	\$ 24,608	\$ 1,994
Law Enforcement Fees	148	1,622	1,600	170
Interest	16	631	608	39
State Judges Retirement Fund	127	1,310	1,328	109
Legal Services Fees	158	1,803	1,785	176
Probation Fees	60	-	60	-
Due to County Treasurer:				
Regular Fines	5,680	65,656	65,869	5,467
Overload Fines	500	1,100	1,425	175
Regular Fees	539	4,771	4,950	360
Due to Municipalities:				
Regular Fines	-	50	50	-
Trust Fund Benefits Payable	4,205	78,777	77,426	5,556
Total Liabilities	\$ 13,806	\$ 179,949	\$ 179,709	\$ 14,046

See Notes to Financial Statement.

POLK COUNTY COURT
NOTES TO FINANCIAL STATEMENT

June 30, 2000

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Polk 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 Polk 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 Neb. Rev. Stat. 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 Neb. Rev. Stat. Section 77-2326.04 R.R.S., 1996, to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The June 30, 2000 carrying amount of total deposits, which includes a checking account, was \$14,046. The bank balance was \$14,948. All funds were entirely covered by federal depository insurance.

STATE OF NEBRASKA
Auditor of Public Accounts



Kate Witek
State Auditor
kwitek@mail.state.ne.us

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

POLK 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 Polk County Court as of and for the year ended June 30, 2000, and have issued our report thereon dated May 30, 2001. The report was modified to emphasize that the financial statement presents only the Agency Funds of Polk 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 Polk 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk 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 Polk County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A Reportable condition is described in the Comments Section of the report as Comment Number 1 (Segregation of Duties).

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, we believe the reportable condition described above is a material weakness. We also noted another matter involving internal control over financial reporting that we have reported to management of the Polk County Court in the Comments Section of the report as Comment Number 2 (Inadequate Documentation).

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 Hasffner CPA".

Deputy State Auditor

May 30, 2001