

**AUDIT REPORT  
OF  
DAWES COUNTY COURT**

**JULY 1, 2000 THROUGH JUNE 30, 2001**

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# DAWES COUNTY COURT

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# DAWES COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of the Dawes 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:*** One individual was capable of handling all aspects of processing transactions from beginning to end.
2. ***Court Costs:*** Prosecutors were not billed for Court costs on dismissed or otherwise uncollectible cases.
3. ***Bond Assignments:*** Bond Assignment Forms were not used by the Court to support assignment of bonds to fines and costs.

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.

# DAWES 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, 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. Court Costs

Neb. Rev. Stat. Section 29-2709 R.S.Supp., 2001 states, "When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 and section 33-107.01, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived unless the judge, in his or her discretion, enters an order assessing such portion of the costs as by law would be paid over by the court to the State Treasurer as follows: (1) In all cases brought by or with the consent of the county attorney, all such uncollectible costs shall be certified by the clerk of the court to the county clerk who shall present the bills therefor to the county board. The county board shall pay from the county general fund all such bills found by the board to be lawful; and (2) In all cases brought under city or village ordinance, all such uncollectible costs shall be certified to the appropriate city or village officer authorized to receive claims who shall present the bills therefor to the governing body of the city or village in the same manner as other claims. Such governing body shall pay from the general fund of the city or village all such bills as are found to be lawful." For reference, Neb. Rev. Stat. Section 33-107.01 R.R.S. 1998 establishes the legal services fee. In addition, Neb. Rev. Stat. Section 24-703(3) R.S.Supp., 2001, which addresses the funding of the judges retirement system, states, "No Nebraska Retirement Fund for Judges fee which is uncollectible for any reason shall be waived by a county judge as provided in section 29-2709."

# DAWES COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 2. Court Costs (Concluded)

The Court was not billing prosecutors for uncollectible court costs. This included costs relating to Sections 24-703 and 33-107.01, and costs ordered by a county judge to be assessed and paid to the State Treasurer.

We recommend the County Court begin to bill prosecutors for uncollectible court costs to comply with State Statute.

### 3. Bond Assignments

The Court Accounting Manual issued by the Nebraska State Court Administrator's Office states that when a defendant wants to apply any or all of a bond amount to fines and costs, the Assignment of Bond Form (Form No. 13:2) is to be used to document the defendant's assignment. Furthermore, the Court Procedure Manual, also issued by the Nebraska State Court Administrator's Office, references the use of the Assignment of Bond Form when defendants elect to assign bond money to fines and costs.

The County Court did not use the Assignment of Bond Form as supporting documentation of a defendant's election to assign bond money to fines and costs. Rather, the Court received the defendant's verbal approval for such assignments, resulting in no documentation being available to support such assignments.

We recommend the County Court review the Court Accounting and Procedure Manuals sections related to bond assignments and, as instructed in those manuals, begin to document the assignment of bonds using the prescribed form.

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### DAWES COUNTY COURT

#### INDEPENDENT AUDITORS' REPORT

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We have audited the financial statement of Dawes County Court as of and for the fiscal year ended June 30, 2001, 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.

**Tim Channer, CPA**  
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We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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.

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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 Dawes County Court in conformity with generally accepted accounting principles.

**Robert Hotz, JD**  
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In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Dawes County Court as of June 30, 2001, 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 April 9, 2002, on our consideration of Dawes 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.

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

Deputy State Auditor

April 9, 2002

DAWES COUNTY COURT  
CHADRON, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
<b>ASSETS</b>				
Cash and Deposits	<u>\$ 44,919</u>	<u>\$ 308,832</u>	<u>\$ 323,470</u>	<u>\$ 30,281</u>
 <b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 4,782	\$ 54,123	\$ 55,394	\$ 3,511
Law Enforcement Fees	367	3,020	3,201	186
Interest	86	903	942	47
State Judges Retirement Fund	287	2,617	2,713	191
Automation Fees	-	6	6	-
Legal Services Fees	380	3,190	3,360	210
Due to County Treasurer:				
Regular Fines	13,891	120,195	127,980	6,106
Overload Fines	225	500	675	50
Regular Fees	610	4,940	5,080	470
Due to Municipalities:				
Regular Fines	552	1,501	1,903	150
Trust Fund Benefits Payable	<u>23,739</u>	<u>117,837</u>	<u>122,216</u>	<u>19,360</u>
<b>Total Liabilities</b>	<u><u>\$ 44,919</u></u>	<u><u>\$ 308,832</u></u>	<u><u>\$ 323,470</u></u>	<u><u>\$ 30,281</u></u>

The accompanying notes are an integral part of the financial statement.

**DAWES COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended June 30, 2001

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Dawes 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 Dawes 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.S.Supp., 2001 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The carrying amounts and bank balances of total deposits, consisting of checking accounts, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2001	\$ 30,281	\$ 100	\$ 30,181	\$ 41,643

However, funds were entirely covered by federal depository insurance.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## DAWES 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**

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We have audited the financial statement of Dawes County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated April 9, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Dawes County Court. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Dawes 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 a certain immaterial instance of noncompliance that we have reported to management of Dawes County Court in the Comments Section of this report as Comment Number 2 (Court Costs).

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Dawes 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Dawes County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The 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 Dawes County Court in the Comments Section of the report as Comment Number 3 (Bond Assignments).

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 Hayflee CPA".

Deputy State Auditor

April 9, 2002