

**AUDIT REPORT
OF
DEUEL COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

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DEUEL COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<u>Financial Section</u>	
Independent Auditors' Report	5 - 6
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2001	7
Notes to Financial Statement	8
<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>	9 - 10

DEUEL COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Deuel 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. ***Unclaimed Property:*** As of June 30, 2001, the Court was holding a total of \$9,227 in funds which were over three years old but had not been remitted to the State Treasurer as unclaimed property.
3. ***Bond Assignments:*** Bond Assignment Forms were not used by the Court to support assignment of bonds to fines and costs.
4. ***Overdue Balances:*** Warrants or suspensions were not being issued in a timely manner on overdue case balances, particularly alcohol-related motor vehicle violations.
5. ***Accounting Records:*** An unexplained variance of \$236 existed at June 30, 2001 between the bank and book balances. In addition, Cash and Fee Book postings were incomplete, and bank reconciliations were not consistently performed on a monthly basis.

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.

DEUEL 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. Unclaimed Property

Neb. Rev. Stat. Section 25-2717 R.R.S. 1995 requires the County Judge to notify the State Treasurer regarding any fees, money, or costs which have not been paid or demanded within three years from the date the funds were paid into the County Court, and, at the direction of the State Treasurer, to remit such funds to the State Treasurer for deposit pursuant to the Unclaimed Property Act.

At June 30, 2001, the County Court had three outstanding checks, totaling \$3,541, and thirteen trust balances, totaling \$5,686, which were over three years old. The thirteen trust balances ranged from three years to over seventeen years old. As of April 4, 2002, these checks and trust balances had still not been remitted to the State Treasurer as unclaimed property.

We recommend the County Court comply with State Statutes and promptly remit all such required fees, monies, or costs as directed by the State Treasurer.

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 the 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, also refers to the use of the Assignment of Bond Form when defendants elect to assign bond money to fines and costs.

DEUEL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

3. **Bond Assignments** (Concluded)

The County Court did not use the Assignment of Bond Form or a similar assignment form as supporting documentation of a defendant's election to assign bond money to fines and costs.

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

4. **Overdue Balances**

Good internal control and sound business practice requires overdue balances of the Court be reviewed on a regular basis to determine what action should be taken to collect on those accounts. Without a regular review of overdue cases there is an increased risk a case listed as outstanding will either not have proper action taken or that the amount outstanding may have previously been paid.

Four of fifteen overdue case balances tested did not have subsequent action taken by the Court to ensure collection or resolution of the balances, such as the issuance of a warrant or suspension. All four cases in question were alcohol-related motor vehicle violations.

We recommend the Court review overdue balances on a regular basis to determine what action needs to be taken to resolve the accounts.

5. **Accounting Records**

Sound accounting practice requires all financial activity be accurately reflected in the Court's accounting records in order to provide complete and accurate accountability. In addition, sound accounting practice requires, at a minimum, monthly balancing of all bank, trust, and other financial records.

During our audit, we noted:

- As of June 30, 2001, the Court's pre-Justice checking account bank balance was long \$236 when reconciled to the Court's book balance. The reason for this variance was undeterminable.
- The prior Clerk Magistrate did not reconcile the Court's checking accounts during the period of August 1999 to July 2000. However, the current Clerk Magistrate is now consistently performing monthly reconciliations of the Court's accounts.

DEUEL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

5. Accounting Records (Concluded)

- Several instances were noted where issued checks had not been posted to the Cash & Fee Book. As a result, the Cash & Fee Book activity, and resulting balances recorded therein, were not accurate.

We recommend the Court consult the Court Administrator's Office for resolution of the \$236 which was long. We also recommend the Clerk Magistrate continue to perform monthly reconciliations of the Court's bank accounts.

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DEUEL COUNTY COURT

INDEPENDENT AUDITORS' REPORT

We have audited the financial statement of Deuel 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.

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.

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 Deuel 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 Deuel 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 4, 2002, on our consideration of Deuel 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 black ink that reads "Deann Haaffner CPA". The signature is fluid and cursive, with "Deann" and "Haaffner" connected by a single stroke, and "CPA" written in a smaller, more formal script to the right.

April 4, 2002

Deputy State Auditor

DEUEL COUNTY COURT
CHAPPELL, 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
ASSETS				
Cash and Deposits	\$ 7,855	\$ 81,411	\$ 73,753	\$ 15,513
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ (93)	\$ 13,434	\$ 12,194	\$ 1,147
Law Enforcement Fees	-	1,120	1,028	92
Interest	-	368	317	51
State Judges Retirement Fund	-	697	635	62
Automation Fees	-	437	437	-
Legal Services Fees	-	730	632	98
Due to County Treasurer:				
Regular Fines	-	38,622	35,295	3,327
Overload Fines	-	175	175	-
Regular Fees	-	699	679	20
Trust Fund Benefits Payable	7,948	25,129	22,361	10,716
Total Liabilities	\$ 7,855	\$ 81,411	\$ 73,753	\$ 15,513

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Deuel 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 Deuel 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 June 30, 2001, carrying amount of total deposits, which includes checking accounts, was \$15,513. The bank balance was \$19,940. All funds were entirely covered by federal depository insurance.

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DEUEL 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 Deuel County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated April 4, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Deuel 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 Deuel 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 Deuel County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Deuel 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 Deuel 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 other matters involving internal control over financial reporting that we have reported to management of the Deuel County Court in the Comments Section of the report as Comment Number 3 (Bond Assignments), Comment Number 4 (Overdue Balances), and Comment Number 5 (Accounting Records).

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.

April 4, 2002

Dawn Haeffner CPA

Deputy State Auditor