

**AUDIT REPORT
OF
FILLMORE COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

FILLMORE COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 5
<u>Financial Section</u>	
Independent Auditors' Report	6 - 7
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2001	8
Notes to Financial Statement	9
<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>	10 - 11

FILLMORE COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Fillmore 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. ***Balancing Procedures:*** The Court did not: 1) reconcile the accounting records to the bank on a monthly basis, 2) record interest earned, 3) make deposits in a timely manner, and 4) correctly record transactions in the accounting records.
3. ***Office Records:*** The Court records were not properly maintained and updated in a timely manner.
4. ***Investment Transactions:*** Investment transactions were not included in the manual accounting records as required.
5. ***Deposits Not Fully Protected:*** The Court's bank account exceeded FDIC coverage during 6 of the 12 months audited.

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. 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.

FILLMORE 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. Balancing Procedures

Good internal control would include the preparation of monthly bank reconciliations to ensure bank activity reconciles to the accounting records, the timely deposit of all receipts, and recording interest earned in the County Court records. Sound accounting practice requires the correct recording in office records of receipts, voided transactions, and checks written.

We noted the following:

- The County Court did not complete a monthly reconciliation between the accounting records and the bank account.
- Interest in the amount of \$952 credited to the Court's bank account during the fiscal year was not recorded in the accounting records.
- We noted 11 checks which were written for amounts different from the amounts recorded in the accounting records, with a net variance of \$158.
- One deposit was short \$50, the bank account remained short at June 30, 2001.
- One insufficient fund check in the amount of \$98 was not recorded in the accounting records.
- Deposits were not made in a timely manner. During our testing of 130 deposits, we noted 21 of the deposits were held over 5 days before the deposit was made at the bank, including one deposit held for 65 days.

FILLMORE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. **Balancing Procedures** (Concluded)

We recommend the County Court reconcile the accounting records to the bank on a monthly basis and follow up on any variances. Further, we recommend deposits of all receipts be made in a timely manner, interest earned be recorded timely, checks be recorded correctly, and insufficient funds be recorded in the accounting records.

3. **Office Records**

Good internal control requires the proper maintenance of Court records and the timely updating of those records.

We noted the following:

- Office records were unorganized making it difficult for the auditors to follow a proper audit trail.
- The authorized signature card on file at the bank was outdated and included former employees.
- The petty cash fund contained unreimbursed receipts dated in 1998 and 1999.
- Two of five overdue cases tested did not have a warrant or suspension issued.
- Records did not support the waiving of court costs on one of the ten cases tested, in addition, the Judges Retirement Fund fee was waived.

We recommend the Court update and maintain records on a current basis.

4. **Investment Transactions**

Good internal control requires all investment activities of the County Court be accounted for in the accounting records.

We noted investment transactions were not included in the manual accounting records. Three condemnation cases with activity were placed in separate bank accounts and the activity was not included in the manual account ledgers.

We recommend the County Court include all investment transactions in the accounting records.

FILLMORE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

5. Deposits Not Fully Protected

Neb. Rev. Stat. Section 77-2326.04 R.S. Supp., 2001, requires that any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) be secured by either a surety bond or as provided in the Public Funds Deposit Security Act. When deposits are not fully insured, the risk of loss increases.

We noted the Court's bank account exceeded FDIC coverage during 6 of the 12 months of the fiscal year. The bank balance was in excess of \$300,000 for two months. The Court did not obtain any additional security.

We recommend the Court actively monitor deposit balances and obtain additional securities, as necessary, to ensure the Court's deposits are fully insured at all times.

Court's Response: Before becoming Magistrate in 1998, I was a part time records clerk from 1985 thru 1995. In the year of 1995 the former magistrate requested her hours to be reduced from 40 hrs per week to 32 hrs per week due to her family.

After becoming Magistrate in 1998, the records clerk staffing in Fillmore County was cut from four days per week to two days per week. During the years of 1999 through 2001, the Fillmore County Courthouse went under an extensive renovation project which caused considerable turmoil. To make things even more chaotic, our office went on Justice the latter part of February 2000. In March of 2000, the County Court office was physically moved to a smaller location with loss of office and storage space. When the courtroom was renovated which took approx. 2-3 months, we had to hold Court in another location other than the Courthouse. Files and office machinery had to be taken to and from this other location besides setting up a "courtroom" with tables, chairs, etc.

The court part time staffing during that time had little training on Justice. Due to some personal time off during all this, the records clerk who was working in Fillmore County, was appointed as Deputy Clerk and given authority to sign checks, documents, etc. Having limited Justice training, there were occasions checks were written but not placed on Justice, thus the checks which were found by the auditors which did not match. She also did not properly record things such as payments on the back of time payments. Which I did not find until later (this employee is no longer working in Fillmore County).

When I went to Justice training in February 2000, the Financial section was not gone over in great depth. I recently went to the Financial refresher course on June 20th which I felt was beneficial.

FILLMORE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

Court's Response (Concluded):

It's been difficult to keep up with daily work let alone try to correct errors which happened in the past. I have no one but myself to blame for the cluttered mess because I'm the one in charge. I know these things need to get cleared up but until I can get some relief in my office situation I do not know when that will take place.

If the Court Administrator for the State of Nebraska would possibly grant me temporary additional help, I could get things straightened out. I know some of the errors found I cannot account for without spending a lot of time going through previous records. Some of them have been oversights which are in the works of being corrected as time permits.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 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

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

FILLMORE COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

We have audited the financial statement of Fillmore 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
Asst. Deputy Auditor
channer@mail.state.ne.us

Except as noted in the fourth paragraph, 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.

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

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 Fillmore County Court in conformity with generally accepted accounting principles.

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

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

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine all activity of the Agency Funds was recorded, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Fillmore 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 May 28, 2002, on our consideration of Fillmore 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 28, 2002

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

Deputy State Auditor

FILLMORE COUNTY COURT
 GENEVA, 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	\$ 62,213	\$ 520,802	\$ 467,335	\$ 115,680
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,584	\$ 31,351	\$ 32,361	\$ 1,574
Law Enforcement Fees	180	1,467	1,552	95
Interest	-	830	830	-
State Judges Retirement Fund	129	1,818	1,859	88
Automation Fees	-	6	6	-
Legal Services Fees	188	1,654	1,726	116
Due to County Treasurer:				
Regular Fines	8,445	74,753	75,971	7,227
Overload Fines	1,332	3,055	4,387	-
Regular Fees	138	2,852	2,843	147
Petty Cash Fund	25	-	-	25
Due to Municipalities:				
Regular Fines	25	623	523	125
Trust Fund Benefits Payable	49,167	402,393	345,277	106,283
Total Liabilities	\$ 62,213	\$ 520,802	\$ 467,335	\$ 115,680

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Fillmore 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 Fillmore 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 \$115,680. The bank balance was \$126,344. All funds were not entirely covered by federal depository insurance or collateral securities pledged to the Court.

STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS



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

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

FILLMORE 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

Deann Haeffner, CPA
Deputy State Auditor
haeffner@mail.state.ne.us

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

We have audited the financial statement of Fillmore County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated May 28, 2002. Our opinion on the financial statement of Fillmore County Court was qualified because we were unable to verify all activity of the Agency Funds. The report was also modified to emphasize that the financial statement presents only the Agency Funds of Fillmore 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 Fillmore 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 an instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the Comments Section of our report as Comment Number 5 (Deposits Not Fully Protected).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fillmore 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 Fillmore 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 (Office 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, we believe the reportable conditions described above are material weaknesses. We also noted another matter involving internal control over financial reporting that we have reported to management of the Fillmore County Court in the Comments Section of the report as Comment Number 4 (Investment Transactions).

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.



Deputy State Auditor

May 28, 2002