

**AUDIT REPORT  
OF  
KEITH COUNTY COURT**

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

# KEITH COUNTY COURT

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# KEITH COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of the Keith 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 a transaction from beginning to end.
2. ***Unclaimed Property:*** The Court did not remit unclaimed property to the State Treasurer as required by the Unclaimed Property Act.
3. ***Accounting Records:*** Assets in the Court's possession were not reflected on the accounting records.
4. ***Overdue Case Account Report:*** The Overdue Case Account Report was not reviewed by Court personnel.
5. ***Money Not Accountable:*** Money was not receipted in a timely manner.

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.

# KEITH 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.

*Court's Response: Unable to correct.*

### 2. Unclaimed Property

Neb. Rev. Stat. Section 25-2717, R.R.S. 1995 requires that any funds due or belonging to any person or persons which have not been paid or demanded within three years from the date the funds were paid into the Court shall be reported to the State Treasurer as unclaimed property.

At June 30, 2001 the Court had twenty-three checks, totaling \$259, which had been outstanding in excess of three years. As of January 17, 2002, these checks had still not been remitted to the State Treasurer as Unclaimed Property.

We recommend the Court promptly remit all Unclaimed Property to the State Treasurer as required by the Unclaimed Property Act.

*Court's Response: We did remit unclaimed property last year as required but it was our manual account. We will remit unclaimed property on justice this year.*

### 3. Accounting Records

Sound accounting practice requires all funds in the Court's possession be reflected in the accounting records in order to provide a complete and accurate accountability of the Court's assets.

# KEITH COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 3. Accounting Records (Concluded)

During our audit, we noted:

- The Court had in its possession two Certificates of Deposit (CD's) for a combined total of \$7,910 which were not reflected on the accounting records. The CD's were brought into the Court's accounting system upon redemption in order to pay out the proceeds.
- The Court maintained \$100 for a change fund which was not reflected on the Court's accounting records.

When all funds in the Court's possession are not reflected in the accounting records, there is an increased risk that loss, theft, or misuse of funds could go undetected.

We recommend the Court reflect all assets held in its possession on the accounting records.

*Court's Response: Assets were reflected every year on the statement of cash position. In addition trust ledger sheets were kept on the CDs in question. The One Rite system was balanced to the checking account. Past auditors have told us to do it the way we had been doing it.*

*The \$100 change was set up by the Justice Team when this Court went on computer. No auditor has ever told us to do it the way this auditor wants it done. It is now changed to the way she wants.*

### 4. Overdue Case Account Report

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.

We noted the Court did not conduct periodic reviews of the cases with overdue balances and did not take appropriate action to either collect on or clear those accounts. One of fifteen balances tested, totaling \$23, should have been waived; however, the court was unaware of the balance and had taken no action to clear the balance on the accounting system.

We recommend the Court implement procedures to review the listing of overdue balances to ensure the balances are actually due the Court and to ensure warrants or suspensions have been issued on individuals owing money to the Court.

# KEITH COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 4. Overdue Case Account Report (Concluded)

*Court's Response: This particular report may not have used but overdue case accounts are watched by means of time payments and overdue actions reports. This court does issue Orders to Show Cause on past due case accounts. Past due case accounts are reviewed on a monthly basis. The particular 23.00 she is referring to was our error and has been corrected.*

### 5. Money Not Accountable

It was brought to the attention of the auditors during the audit that \$100 cash received in the mail was not receipted in a timely manner. We were told the money was misplaced by an employee for several weeks, and was not turned over to the Court until an individual outside the Court inquired about the money and a related citation.

Good internal control requires procedures be in place to insure all money is receipted in a timely manner and that a segregation of duties exists to prevent one individual from handling all aspects of processing cash transactions.

We recommend the Court review its procedures to insure all money is receipted in a timely manner.

*Court's Response: We do receipt all money timely. The money she is referring to was never received by the court nor has the court ever had possession of it. This money is part of a pending criminal case charging theft by unlawful taking. We did not tell the auditor that the money had been misplaced for several weeks. The money was stolen pure and simple. The money was recovered and is being held as evidence by the Nebraska State Patrol after an investigation. Charges have been filed in this case and the employee has been terminated.*

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## KEITH COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

We have audited the financial statement of Keith 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 Keith 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 Keith 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 January 17, 2002 on our consideration of Keith 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 Hauffman CPA".

Deputy State Auditor

January 17, 2002

KEITH COUNTY COURT  
OGALLALA, 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>\$ 51,392</u>	<u>\$ 487,218</u>	<u>\$ 499,834</u>	<u>\$ 38,776</u>
 <b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 7,527	\$ 82,424	\$ 83,337	\$ 6,614
Law Enforcement Fees	625	6,076	6,174	527
Interest	86	409	495	-
State Judges Retirement Fund	396	4,316	4,301	411
Automation Fees	6	33	39	-
Legal Services Fees	650	6,224	6,342	532
Due to County Treasurer:				
Regular Fines	19,310	202,037	204,184	17,163
Overload Fines	75	800	850	25
Regular Fees	806	10,018	10,367	457
Due to Municipalities:				
Regular Fines	100	1,235	1,310	25
Trust Fund Benefits Payable	<u>21,811</u>	<u>173,646</u>	<u>182,435</u>	<u>13,022</u>
Total Liabilities	<u>\$ 51,392</u>	<u>\$ 487,218</u>	<u>\$ 499,834</u>	<u>\$ 38,776</u>

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

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

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Keith 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 Keith 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 consists of a checking account, was \$38,776. The bank balance was \$40,692. All funds were entirely covered by federal depository insurance.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## KEITH 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  
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We have audited the financial statement of Keith County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated January 17, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Keith 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.

Don Dunlap, CPA  
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### Compliance

As part of obtaining reasonable assurance about whether Keith 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 Keith County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property).

Pat Reding, CPA  
Asst. Deputy Auditor  
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### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keith 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

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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 Keith 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), and Comment Number 5 (Money Not Accountable).

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 other matters involving internal control over financial reporting that we have reported to management of the Keith County Court in the Comments Section of the report as Comment Number 3 (Accounting Records), and Comment Number 4 (Overdue Case Account Report).

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.

January 17, 2002

A handwritten signature in cursive script that reads "Deann Hoffner CPA". The signature is written in dark ink and is positioned to the right of the typed name.

Deputy State Auditor