

**AUDIT REPORT
OF
PAWNEE COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

PAWNEE COUNTY COURT

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PAWNEE COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Pawnee 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 person was capable of handling all aspects of processing transactions from beginning to end.
- 2. *Lack of Supporting Documentation:*** Two non-monetary receipts did not have a sheriff's return for back-up 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. 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.

PAWNEE 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. Lack of Supporting Documentation

Good internal control requires each non-monetary receipt issued to have supporting documentation to substantiate the reason for eliminating the obligation.

We noted two instances where a non-monetary receipt was completed without the supporting Sheriff's return to substantiate jail time served. There is an increased risk of loss of money owed to the County without supporting documentation.

We recommend the court implement procedures to ensure all non-monetary receipts issued be supported by the signed Sheriff's return documenting dates and case for which the jail time is being served.

Court's Response: The two non-monetary receipts issued in Case No. CR99-55 which did not have a sheriff's return for back-up documentation were issued by the Clerk because she knew we would not receive them from our Sheriff's office because Sheriff Art Baldrige was recalled on January 16, 2001 (his last day of work was January 19th) and he took all jail records with him and would not return them to Pawnee County.

We have since had the Nemaha County jailer (where the Defendant was incarcerated) complete a return for the jail time served by the Defendant. I fully realize that the issuance of the non-monetary receipts were improper, but I do not anticipate any receipts being issued without proper documentation in the future.

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PAWNEE COUNTY COURT

INDEPENDENT AUDITORS' REPORT

We have audited the financial statement of Pawnee 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 Pawnee 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 Pawnee 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 December 13, 2001 on our consideration of Pawnee 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.

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December 13, 2001

Deputy State Auditor

PAWNEE COUNTY COURT
PAWNEE CITY, 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	\$ -	\$ 47,922	\$ 43,347	\$ 4,575
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 14,852	\$ 14,020	\$ 832
Law Enforcement Fees	-	592	546	46
State Judges Retirement Fund	-	923	881	42
Interest	-	68	63	5
Automation Fees	-	3	3	-
Legal Services Fees	-	688	630	58
Due to County Treasurer:				
Regular Fines	-	21,200	19,229	1,971
Overload Fines	-	575	575	-
Regular Fees	-	2,005	1,918	87
Due to Municipalities:				
Regular Fines	-	20	20	-
Trust Fund Benefits Payable	-	6,996	5,462	1,534
Total Liabilities	\$ -	\$ 47,922	\$ 43,347	\$ 4,575

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Pawnee 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 Pawnee 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 the carrying amount of total deposits, which includes a checking account, was \$4,575. The bank balance was \$4,773. All funds were entirely covered by federal depository insurance.

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PAWNEE 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 Pawnee County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated December 13, 2001. The report was modified to emphasize that the financial statement presents only the Agency Funds of Pawnee 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.

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Compliance

As part of obtaining reasonable assurance about whether Pawnee 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.

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Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pawnee 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

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relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pawnee 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, of the reportable conditions described above, we consider comment number 1 to be a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Pawnee County Court in the Comments Section of the report as Comment Number 2 (Lack of Supporting 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 Hauffman CPA". The signature is written in dark ink and is positioned to the right of the date.

December 13, 2001

Deputy State Auditor