

**AUDIT REPORT
OF
SALINE COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

SALINE COUNTY COURT

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SALINE COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Saline 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. *Bank Reconciliations:*** Variances were noted between the reconciled bank balance and the book balance.

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.

SALINE 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. Bank Reconciliations

We noted reconciliations were not adequately performed between the bank balance and the book balance, per the JUSTICE computer system. Variances were noted each month but no follow up was done by the Court to determine reasonableness. The June 30, 2001 reconciliation had a variance of \$37,790 because deposits in transit were not correctly stated, but there was no follow up done by the County Court.

At June 30, 2001, the following variances were noted between the reconciled bank balance and the book balance:

- Check #8996 was issued on February 1, 2002, but was voided by the Court, and then cashed by the bank for \$3,804. When the Court voided the check, the fees were reinstated and paid the following month to the State Treasurer, resulting in the fees being paid to the State twice. This resulted in a shortage in the bank account.
- January 2000 interest of \$67 was never receipted by the County Court.
- An unknown variance of \$49, carried forward from the fiscal year end June 30, 1998 audit, had not been resolved.
- Checks were cashed by the bank at different amounts than identified by the JUSTICE system, resulting in \$7 in errors.

SALINE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. **Bank Reconciliations** (Concluded)

- July 1999 interest of \$67 was receipted by the County Court as \$68, resulting in a \$1 error.
- The County Court had not addressed bank check charges of \$348.
- Checks in the total amount of \$274 noted on the outstanding checks list at June 30, 2001, had actually cleared the bank in April 2001.

Sound accounting procedures and good internal control require balancing between the bank balance and the book balance on a monthly basis.

If reconciliations are not performed, the risk of loss or misuse of funds is increased. The variances noted above result in the bank balance being short \$4,414 of the book balance, per the JUSTICE system.

We recommend the County Court consult the Nebraska Supreme Court regarding the procedures to correct the variances noted.

Court's Response: Based upon the assistance and recommendations of the State Auditors Office and the Court Administrators Office, the following adjustments and corrections are implemented.

Fees paid to the State Treasurer as of 04-01-2002 have been adjusted to properly reflect the current amounts due for fees. Check #8996, which was paid in error, and subsequently double paid fees, has been adjusted and the amount of \$3804.00 is no longer double paid.

Interest for January 2000 has been properly receipted and the \$1.00 variance for July 1st is corrected.

Bank charges which were incorrectly charged to the Court account have been claimed to the County and will be deposited to the Court account, and the bank errors are adjusted to reflect proper amounts.

The State Auditors Office will assist the bookkeeper in reviewing the March 31st, 2002 reconciliation report to ensure correct balancing.

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

SALINE 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

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 Saline 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 Saline 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 Saline 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 March 20, 2002, on our consideration of Saline 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.

March 20, 2002

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

Deputy State Auditor

SALINE COUNTY COURT
WILBER, 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	\$ 45,058	\$ 399,924	\$ 406,559	\$ 38,423
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,601	\$ 61,015	\$ 61,786	\$ 4,830
Law Enforcement Fees	335	2,932	3,059	208
Interest	67	723	755	35
State Judges Retirement Fund	307	3,340	3,405	242
Automation Fees	-	47	44	3
Legal Services Fees	398	3,570	3,741	227
Due to County Treasurer:				
Regular Fines	8,991	108,743	109,785	7,949
Overload Fines	50	2,475	2,175	350
Regular Fees	1,302	14,886	15,203	985
Due to Municipalities:				
Regular Fines	1,689	14,135	14,722	1,102
Trust Fund Benefits Payable	26,318	188,058	191,884	22,492
Total Liabilities	\$ 45,058	\$ 399,924	\$ 406,559	\$ 38,423

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Saline 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 Saline 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 \$38,423. The bank balance was \$34,190. All funds were entirely covered by federal depository insurance.

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

SALINE 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 Saline County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated March 20, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Saline 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 Saline 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Saline 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 Saline 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 2 (Bank Reconciliations).

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.

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.

March 20, 2002



Deputy State Auditor