

**AUDIT REPORT
OF
YORK 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.**

YORK COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Auditors' Report	4 - 5
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2001	6
Notes to Financial Statement	7
<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>	8 - 9

YORK COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the York 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. ***Deposits Not Fully Insured:*** The Court's deposits were not fully insured against bank failure at June 30, 2001.
3. ***Overdue Balances:*** The overdue balance report was not adequately reviewed. Therefore, overdue case balances were not appropriately followed up.
4. ***Unclaimed Property:*** There were 16 checks that were outstanding for more than 3 years. The Court did not properly notify and remit the checks as unclaimed property to the State Treasurer.

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.

YORK 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. Deposits Not Fully Insured

Neb. Rev. Stat. Section 77-2326.04 R.S.Supp., 2001 states, “No deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank . . . designated as a depository unless [the county judge or clerk of the county court] has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.” Good internal control would include procedures which ensure deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) are adequately safeguarded from loss.

At June 30, 2001, York County Court had deposits in excess of amounts insured by the FDIC and pledged securities. The County Court had deposits totaling \$353,988. The County Court had \$235,536 in pledged securities from the financial institution to safeguard deposits in excess of the \$100,000 insured by the FDIC. Therefore, over \$18,000 was not adequately safeguarded from loss at June 30, 2001.

When deposits are not adequately covered by pledged securities there is a risk Court monies would be lost upon the failure of the financial institution.

YORK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. **Deposits Not Fully Insured** (Concluded)

We recommend the County Court implement procedures to ensure all monies on deposit at financial institutions in excess of amounts insured by FDIC and pledged securities are protected from loss.

3. **Overdue Balances**

Good internal control and sound business practice requires overdue case 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.

The Court did not receive the monthly overdue case balance report during the fiscal year. At the request of the auditor, an overdue case balance report was generated for May 8, 2002. The total of overdue case amounts due the Court was \$65,587. Two of six overdue case balances tested did not have subsequent action taken by the Court to ensure collection or resolution of the balance. Both cases were civil case types with fees owed.

We recommend the Court review overdue case balances to determine what action needs to be taken to resolve the accounts.

4. **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 due or belonging to persons which have not been paid or demanded within three years from the date the funds were paid to 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.

The Court had 16 checks issued which were outstanding more than three years. The total amount of the checks was \$473.

We recommend the County Court implement procedures to ensure checks outstanding for over three years are reported and remitted to the State Treasurer as unclaimed property.

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

YORK COUNTY COURT

INDEPENDENT AUDITORS' REPORT

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 York 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 York 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 York 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 9, 2002, on our consideration of York 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

May 9, 2002

YORK COUNTY COURT
YORK, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2001

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2001</u>
ASSETS				
Cash and Deposits	\$ 165,511	\$ 758,306	\$ 580,519	\$ 343,298
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,687	\$ 87,821	\$ 87,074	\$ 7,434
Law Enforcement Fees	401	3,778	3,833	346
Interest	92	696	740	48
State Judges Retirement Fund	359	4,278	4,222	415
Automation Fees	3	21	21	3
Legal Services Fees	425	4,024	4,073	376
Due to County Treasurer:				
Regular Fines	18,649	177,137	181,008	14,778
Overload Fines	150	4,700	4,350	500
Regular Fees	1,003	34,666	34,541	1,128
Due to Municipalities:				
Regular Fines	175	5,513	5,151	537
Regular Fees	-	120	120	-
Trust Fund Benefits Payable	<u>137,567</u>	<u>435,552</u>	<u>255,386</u>	<u>317,733</u>
Total Liabilities	<u>\$ 165,511</u>	<u>\$ 758,306</u>	<u>\$ 580,519</u>	<u>\$ 343,298</u>

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

YORK COUNTY COURT
NOTES TO FINANCIAL STATEMENT

For the Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

A. Reporting Entity

The York 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 York 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 carrying amounts and bank balances of total deposits, consisting of a checking account and savings accounts, were as follows:

	Total Cash and Deposit <u>Carrying Amount</u>	<u>Cash Amount</u>	Deposit <u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2001	\$ 343,298	\$ 150	\$ 343,148	\$ 353,988

However, funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank, or by a bank or trust company in this State other than the depository bank, during the entire year, except for June 30, 2001, as noted in Comment Number 2 (Deposits Not Fully Insured).

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

YORK 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 York County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated May 9, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of York 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 York 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 York County Court in the Comments Section of this report as Comment Number 2 (Deposits Not Fully Insured) and Comment Number 4 (Unclaimed Property).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered York 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 York 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, 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 York County Court in the Comments Section of the report as Comment Number 2 (Deposits Not Fully Insured) and Comment Number 3 (Overdue Balances).

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 9, 2002