

**AUDIT REPORT  
OF  
GARDEN COUNTY COURT**

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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# GARDEN COUNTY COURT

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# GARDEN COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Garden 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 phases of a transaction from beginning to end.
2. ***Receipt Transactions:*** Overpayments were not returned to payees, but rather were administratively assessed as additional State fines in order to avoid issuing and tracking small dollar refund checks. In addition, the Court did not have a records retention system in place which would ensure that all old case files/citations which had financial activity during the audit period were retained for subsequent inspection.
3. ***Overdue Balances:*** Warrants and/or suspensions were not being issued in a timely manner on overdue case balances.

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.

# GARDEN 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. A lack of segregation of duties increases the risk of possible errors or irregularities. 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 and 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. Receipt Transactions

Good internal control requires that receipt procedures include the prompt issuance of payee refunds for overpayment amounts whenever the Court receives monies over and above the assessed court costs and fines. State of Nebraska Records Retention Schedule 18-7-7, Traffic Case Files, requires traffic case files which include the Court's copy of the traffic citation be disposed of two years after judgment has been entered, provided an audit has been completed.

During the audit the following was noted:

- Two of fifteen receipts tested included overpayments. The Court did not refund these overpayments of \$1 and \$2, respectively, back to the payees but instead administratively increased the assessed State fine amounts by the amounts of the overpayments. The Clerk Magistrate stated that she did not issue refund checks on overpayments because she felt small dollar refund checks likely would not be cashed by the payees.
- The validity of one of fifteen receipts selected for testing could not be verified due to the original citation not being available at the Court. The citation in question, a 1990 traffic citation on which payment was received in January 2002, appears to have been destroyed by the Court as part of its overall destruction of cases from 1999 and prior.

# GARDEN COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 2. Receipt Transactions (Concluded)

By not refunding overpayments, the Court is administratively assessing fines greater than provided for in State Statute. In addition, when citation/case file documentation is not retained for audit, the validity of financial transactions cannot be determined and there is an increased risk of loss, theft, or misuse of Court funds.

We recommend all overpayments made to the Court be promptly refunded to the payees. In addition, we recommend all citations be retained on file in accordance with the State of Nebraska Records Retention Schedule.

### 3. Overdue Balances

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. 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 been previously paid.

Three of ten overdue case balances tested, totaling \$423, did not have documented subsequent action taken by the Court to ensure collection and/or resolution of the balance, such as the issuance of a warrant and/or suspension. In one of these cases, a defendant, who had been ordered to one year of probation, had also been ordered to have all fines/costs paid within six months of sentencing. The Clerk Magistrate stated that in such cases she typically sends a letter notifying the defendant of the delinquency and she also contacts the defendant's probation officer. However, in this particular case there was no documentation either in the case file or in the JUSTICE system notes/journal entries to document such contacts by the Court.

We recommend the Court review its overdue balances on an ongoing basis to determine what action needs to be taken to resolve the accounts. Furthermore, the Court should document its efforts to resolve overdue balances by maintaining documentation, either in hardcopy form or via JUSTICE notes/journal entries, regarding its collection contacts in relation to such overdue balances.

*County Court's Response: Again I was advised to take action in a more timely manner to collect overdue balances. Actually in a review of the overdue case report as of October 5, 2002, I had either issued warrants or sent letters to people with delinquent time payments. As the auditor noted, I had not always put a copy of the collection letter in the defendant's file. I will be sure to do this in the future. Also, as I noted last year, our county attorney is parttime, and I sometimes have a difficult time reviewing old cases with him as he is very busy when he is here. The overdue criminal total was \$2,704.91 compared to last year's total in the audit of \$8,964 which I think shows a positive direction.*

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## GARDEN COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

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We have audited the accompanying financial statement of Garden County Court as of and for the fiscal year ended June 30, 2002, 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.

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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.

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As discussed in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Garden County Court for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Garden County Court as of June 30, 2002, and the related activity for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2003, on our consideration of Garden 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 "Dawn Hayfman CPA".

Deputy State Auditor

January 14, 2003

GARDEN COUNTY COURT  
 OSHKOSH, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2002

	Balance July 1, 2001	Receipts	Disbursements	Balance June 30, 2002
<b>ASSETS</b>				
Cash and Deposits	\$ 8,281	\$ 112,622	\$ 115,790	\$ 5,113
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,265	\$ 25,570	\$ 25,647	\$ 1,188
Law Enforcement Fees	118	2,062	2,090	90
Interest	7	87	90	4
State Judges Retirement Fund	72	1,254	1,263	63
Legal Services Fees	124	2,172	2,200	96
Due to County Treasurer:				
Regular Fines	2,743	58,565	58,085	3,223
Overload Fines	-	25	25	-
Regular Fees	274	952	1,226	-
Due to Municipalities:				
Regular Fines	10	115	125	-
Trust Fund Payable	3,668	21,820	25,039	449
<b>Total Liabilities</b>	<b>\$ 8,281</b>	<b>\$ 112,622</b>	<b>\$ 115,790</b>	<b>\$ 5,113</b>

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

**GARDEN COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
For the Fiscal Year Ended June 30, 2002

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Garden 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 Arising from Cash Transactions 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 Garden 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 Arising from Cash Transactions has been prepared, on the cash receipts and disbursements 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. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting. Under GAAP, Agency Funds would be reported in the Statement of Net Assets. Agency Funds are not reported in the Statement of Changes of Fiduciary Net Assets. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**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., 2002 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

**GARDEN COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
(Continued)

**2. Deposits and Investments (Concluded)**

The June 30, 2002, carrying amount of total deposits, which included a checking account, was \$5,113. The bank balance was \$5,615. All funds were entirely covered by federal depository insurance.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## GARDEN 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*

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We have audited the financial statement of Garden County Court as of and for the year ended June 30, 2002, and have issued our report thereon dated January 14, 2003. The report was modified to emphasize that the financial statement presents only the Agency Funds of Garden County Court prepared on the basis of cash receipts and disbursements. 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 Garden 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 Garden 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 Garden 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 the management of the Garden County Court in the Comments Section of the report as Comment Number 2 (Receipt Transactions) 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.

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

Deputy State Auditor

January 14, 2003