

**AUDIT REPORT
OF
GARDEN COUNTY COURT**

JULY 1, 2002 THROUGH JUNE 30, 2003

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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. ***Non-waiverable Court Costs:*** The County Court was not accurate in its claiming of non-waiverable court costs on dismissed and/or otherwise uncollectible cases.
3. ***Emergency Receipts:*** Three instances were noted in which both original and duplicate receipts were torn from an emergency receipt book.

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. Non-waiverable Court Costs

Neb. Rev. Stat. Section 29-2790 R.S.Supp., 2003 requires when any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 (Judges Retirement Fee), two dollars of the fee provided in section 33-107.01 (Legal Services Fee), the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived unless the judge, in his or her discretion, enters an order assessing such portion of the costs as by law would be paid over by the court to the State Treasurer.

The County Court did not accurately bill non-waiverable court costs to prosecutors on dismissed and/or otherwise uncollectible cases. While the County Court consistently claimed the \$1 Judges Retirement Fee in such cases, instances were noted in which the County Court:

- Waived the \$6 Automation Fee.
- Claimed the entire \$5 Legal Services Fee; a fee, which increased from \$2 to \$5 in July 2002, however, only \$2 remained non-waiverable per Statute.

We recommend the County Court claim non-waiverable court costs on dismissed and/or otherwise uncollectible cases consistent with State Statute.

GARDEN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-waiverable Court Costs (Concluded)

County Court's Response: As far as confusion with my non-waiverable court costs, I admit to being in error for awhile with fees changing so rapidly and often. I appreciate the auditor's help with this and hope I will be heading in a direction of accuracy this year.

3. Emergency Receipts

Sound accounting practices require whenever a receipt book is used, the duplicate (carbon) copy, at a minimum, should always be retained in the original receipt book for subsequent inspection. When both original and duplicate receipts are removed, accountability is lost.

The Court Administrator's Office has issued emergency receipt books for Courts to use on an emergency basis. Whenever an emergency receipt is used, it must subsequently be receipted into the computerized Justice system. During our review of the Court's emergency receipt book, three instances were observed in which both the original and duplicate copies of receipts had been torn from the bound emergency receipt book and were not maintained on file.

We recommend, duplicate receipt copies never be removed from emergency receipt books. If a receipt needs to be voided it should be marked void and both copies retained for subsequent inspection. If the Court or a customer needs another receipt copy, a photocopy of the original should be used. In all instances, the duplicate should be retained to provide an accurate account of the Court's financial activity.

County Court's Response: I would like to respond to the comments concerning my emergency receipt book. When the auditor was here conducting the audit, she took my emergency receipt book from the shelf to examine. Alas three receipts were missing. The other day I had occasion to issue an emergency receipt. When I reached for the book, I noticed the three missing receipts underneath the book. This is to let you know that I do have in my possession the three missing duplicate copies and they have been safely put back in the receipt book.

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GARDEN COUNTY COURT

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statement of Garden County Court as of and for the fiscal year ended June 30, 2003, 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 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, 2003, 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 February 23, 2004, 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.

February 23, 2004


Dawn Hauffman CPA
Deputy State Auditor

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, 2003

	Balance July 1, 2002	Additions	Deductions	Balance June 30, 2003
ASSETS				
Cash and Deposits	\$ 5,113	\$ 57,506	\$ 57,626	\$ 4,993
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,188	\$ 15,524	\$ 15,056	\$ 1,656
Law Enforcement Fees	90	800	826	64
Interest	4	32	35	1
State Judges Retirement Fund	63	837	688	212
Automation Fees	-	1,962	1,686	276
Legal Services Fees	96	1,891	1,803	184
Due to County Treasurer:				
Regular Fines	3,223	23,069	24,591	1,701
Overload Fines	-	1,050	1,050	-
Regular Fees	-	783	647	136
Due to Municipalities:				
Regular Fines	-	15	15	-
Trust Fund Payable	449	11,543	11,229	763
Total Liabilities	\$ 5,113	\$ 57,506	\$ 57,626	\$ 4,993

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, 2003

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.

The June 30, 2003, carrying amount of total deposits, which consisted of a checking account, was \$4,993. The bank balance was \$4,860. All funds were entirely covered by federal depository insurance.

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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, 2003, and have issued our report thereon dated February 23, 2004. 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*. We noted a certain immaterial instance of noncompliance that we have reported to the management of Garden County Court in the Comments Section of this report as Comment Number 2 (Non-waiverable Court Costs).

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 another matter involving internal control over financial reporting that we have reported to the management of Garden County Court in the Comments Section of the report as Comment Number 3 (Emergency Receipts).

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.

February 23, 2004


Dawn Hauffman CPA
Deputy State Auditor