

**AUDIT REPORT
OF
BANNER COUNTY COURT**

JULY 1, 2005 THROUGH JUNE 30, 2007

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Issued on September 7, 2007

BANNER COUNTY COURT

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BANNER COUNTY COURT

SUMMARY OF COMMENTS

During our audit of Banner 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. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not reviewed in a timely manner, with corrective action taken when necessary, to resolve any issues noted.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County Court declined to respond.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

BANNER 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 as 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. Further, 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. Monthly Report Review

Good internal control requires the County Court to have procedures in place which provide ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts. In addition, sound accounting practices require procedures to be in place which ensure the complete and accurate posting of defendant payments to their respective cases.

During testing of June 30, 2007, case balances, we noted the following:

- Ten of twelve case balances tested, totaling \$1,860, related to criminal/traffic citation payments which the Court had not applied to fines/costs. In two of these cases the JUSTICE system indicated suspension notification had been sent to the Department of Motor Vehicles.
- One of twelve case balances tested, totaling \$675, represented a defendant's appearance bond which had been revoked by the Judge in June 2006; however, the Court had not taken any further action to forfeit this bond to the County.

BANNER COUNTY COURT

COMMENTS AND RECOMMENDATIONS (Continued)

2. **Monthly Report Review** (Concluded)

During testing of non-case balances, we noted the following:

- Two of two non-case balances tested, totaling \$188, did not have subsequent follow-up action by the Court to resolve the unassigned status of these balances.

When the County Court's trust reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities occurring and not being detected and resolved in a timely manner.

We strongly recommend the County Court perform on-going, detailed review of all monthly reports, including the Monthly Case Balance Reports and the Reports of Non-Case Receipts, in an attempt to identify and resolve unattached and/or unusual balances in a timely manner.



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BANNER COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Ms. Janice Walker, State Court Administrator
Nebraska Supreme Court
State Capitol, Room 1220
Lincoln, Nebraska 68509

We have audited the accompanying financial statements of Banner County Court as of and for the fiscal years ended June 30, 2007, and June 30, 2006, as listed in the Table of Contents. The financial statements are the responsibility of the County Court's management. Our responsibility is to express an opinion on the financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 statements were 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 statements present only the County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Banner County Court for the years then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Banner County Court as of June 30, 2007, and June 30, 2006, and the related activity for the fiscal years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2007, on our consideration of Banner County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Assistant Deputy Auditor

September 7, 2007

BANNER COUNTY COURT
HARRISBURG, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2007

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2007</u>
ASSETS				
Cash and Deposits	\$ 15,555	\$ 79,915	\$ 84,342	\$ 11,128
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,374	\$ 11,009	\$ 11,451	\$ 932
Law Enforcement Fees	184	1,493	1,576	101
State Judges Retirement Fund	452	3,996	4,090	358
Court Administrative Fees	538	4,767	4,881	424
Legal Services Fees	516	4,778	4,833	461
Due to County Treasurer:				
Regular Fines	4,846	45,488	46,792	3,542
Overload Fines	-	3,725	3,250	475
Regular Fees	680	136	816	-
Trust Fund Payable	6,965	4,523	6,653	4,835
Total Liabilities	\$ 15,555	\$ 79,915	\$ 84,342	\$ 11,128

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

BANNER COUNTY COURT
HARRISBURG, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2006

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2006</u>
ASSETS				
Cash and Deposits	\$ 6,845	\$ 89,729	\$ 81,019	\$ 15,555
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,012	\$ 11,350	\$ 10,988	\$ 1,374
Law Enforcement Fees	158	1,681	1,655	184
State Judges Retirement Fund	271	3,973	3,792	452
Court Administrative Fees	408	5,151	5,021	538
Legal Services Fees	411	4,686	4,581	516
Due to County Treasurer:				
Regular Fines	4,075	50,309	49,538	4,846
Overload Fines	-	3,251	3,251	-
Regular Fees	-	812	132	680
Trust Fund Payable	<u>510</u>	<u>8,516</u>	<u>2,061</u>	<u>6,965</u>
Total Liabilities	<u>\$ 6,845</u>	<u>\$ 89,729</u>	<u>\$ 81,019</u>	<u>\$ 15,555</u>

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

BANNER COUNTY COURT
NOTES TO FINANCIAL STATEMENTS
For the Fiscal Years Ended June 30, 2007, and June 30, 2006

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Banner 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 Statements of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The financial statements do not reflect the personal services expenses of the County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Banner County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Statements of Changes in Assets and Liabilities Arising from Cash Transactions have 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 County 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.R.S. 2003 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

BANNER COUNTY COURT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Deposits and Investments (Concluded)

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

	Total		Deposit		<u>Bank Balance</u>
	Cash and Deposit <u>Carrying Amount</u>	<u>Cash Amount</u>	<u>Carrying Amount</u>		
June 30, 2007	\$ 11,128	\$ -	\$ 11,128		\$ 11,233
June 30, 2006	\$ 15,555	\$ -	\$ 15,555		\$ 15,587

These funds were entirely covered by federal depository insurance.



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BANNER COUNTY COURT
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Ms. Janice Walker, State Court Administrator
Nebraska Supreme Court
State Capitol, Room 1220
Lincoln, Nebraska 68509

We have audited the financial statements of Banner County Court as of and for the years ended June 30, 2007, and June 30, 2006, and have issued our report thereon dated September 7, 2007. The report was modified to emphasize that the financial statements present only the Agency Funds of Banner 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Banner County Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than remote likelihood that a misstatement of the entity's internal control. We consider the following deficiency described in the comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Segregation of Duties).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Banner County Court's financial statements are 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted a certain additional matter that we reported to the management of Banner County Court in the Comments Section of this report as Comment Number 2 (Monthly Report Review).

This report is intended solely for the information and use of management, the Supreme Court, other within the Court, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record and its distribution is not limited.



Assistant Deputy Auditor

September 7, 2007

