

**AUDIT REPORT  
OF  
KEITH COUNTY COURT**

**JULY 1, 2005 THROUGH JUNE 30, 2006**

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**Issued on March 22, 2007**

## KEITH COUNTY COURT

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## KEITH COUNTY COURT

### SUMMARY OF COMMENTS

During our audit of Keith 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. ***Amended Citations:*** One instance was noted in which 1) a traffic citation fine collected by the County Court did not agree to State Statute due to a compromise between the defendant and the County Attorney's Office and 2) the citation, as amended, was not updated in the JUSTICE system which resulted in an over reporting of the violation severity.

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. All formal responses received have been incorporated into this report. Where no response has been included, the County 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.

## KEITH 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. Amended Citations**

Neb. Rev. Stat. Section 60-682.01 R.R.S. 1997, establishes the fines associated with various speed limit violations and sets, in part, a fine of \$25 for speeding 6-10 miles per hour over the authorized speed limit and \$200 for traveling 21 miles per hour or more over the authorized speed limit. Neb. Rev. Stat. Section 60-4,182 R.S.Supp., 2006, adopts a point system which assesses specific points against individuals' drivers licenses based on various traffic violations. During testing of twenty-eight receipts, one instance was noted in which a defendant had received a citation which included a charge of speeding 21 miles per hour or more over the authorized speed limit and assessed the appropriate \$200 fine for the violation. The Keith County Attorney subsequently came to a compromise with the defendant in which the speeding violation was reduced to not more than 10 miles per hour over the authorized limit on the condition the defendant pay the fine amount as originally assessed. As a result, the County Court collected a fine amount, \$200, which did not agree to the fine set by State Statute for the amended violation. Furthermore, the County Court did not change the original citation in the JUSTICE system to reflect the amended charge and, as a result, the Court reported the violation as speeding 21 miles per hour or more, which would have had 3 points deducted from the defendant's drivers license as opposed to just the 1 point that would have been deducted based on the amended violation.

## KEITH COUNTY COURT

### COMMENTS AND RECOMMENDATIONS (Continued)

#### 2. Amended Citations (Concluded)

We recommend the County Court review the cited State Statute Sections, discuss the situation with the Keith County Attorney, and take appropriate action to ensure citations are collected in accordance with State Statute. We further recommend the County Court implement procedures to ensure that all citations and/or orders, including charge amendments, are entered into the JUSTICE system in a complete and accurate manner.

*County Court's Response: As reported by the Auditor, the former County Attorney amended a citation to reduce the speeding violation from 21 miles an hour over the speed limit, to 10 miles an hour over the speed limit. This reduction in speed did not get entered into the Justice System by the court personnel, which resulted in an over-reporting of the violation severity. This was a clerical error, which has been discussed with all personnel and precautions are being implemented to assure that this will not happen again. Nothing has been entered in Justice after the fact, because the defendant involved is deceased.*

*In that case, an agreement was apparently reached between the County Attorney and the defendant, in which the County Attorney would amend the citation to reflect the lower speed, but the defendant would pay a fine based upon the speed originally listed on the citation. This was a practice which the previous two County Attorneys engaged in for at least the last ten years. The current Clerk Magistrate and court personnel had no reason to believe this was not proper, as it was sanctioned by the previous County Attorneys, and had been approved by the prior Clerk Magistrate.*

*We now realize that this should not have occurred. The court personnel have been instructed that if the speed is amended, the fine to be collected must comply with Nebraska statutes.*

*I have visited with the new County Attorney, who took office in January, 2007. He understands that if the speed is reduced, the fine to be collected will be based upon the reduced speed.*

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**KEITH 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 statement of Keith County Court as of and for the fiscal year ended June 30, 2006, as listed in the Table of Contents. The financial statement is the responsibility of the County 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 County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Keith 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 Keith County Court as of June 30, 2006, 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 March 6, 2007, on our consideration of Keith County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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

March 6, 2007

KEITH COUNTY COURT  
OGALLALA, 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>
<b>ASSETS</b>				
Cash and Deposits	\$ 59,666	\$ 617,771	\$ 615,729	\$ 61,708
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 8,646	\$ 78,842	\$ 80,599	\$ 6,889
Law Enforcement Fees	1,030	8,472	8,658	844
State Judges Retirement Fund	1,960	22,770	22,507	2,223
Court Administrative Fees	3,440	36,777	36,729	3,488
Legal Services Fees	2,724	25,312	25,578	2,458
Due to County Treasurer:				
Regular Fines	24,090	201,918	205,240	20,768
Overload Fines	-	2,150	2,150	-
Regular Fees	1,516	10,543	11,829	230
Due to Municipalities:				
Regular Fines	242	1,985	2,202	25
Trust Fund Payable	16,018	229,002	220,237	24,783
Total Liabilities	<u>\$ 59,666</u>	<u>\$ 617,771</u>	<u>\$ 615,729</u>	<u>\$ 61,708</u>

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

**KEITH COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
For the Fiscal Year Ended June 30, 2006

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Keith 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 County 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 County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Keith 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 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.

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

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

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

	Total	Cash and Deposit Carrying Amount	Cash Amount	Deposit		Bank Balance
				Carrying Amount		
June 30, 2006	\$ 61,708	\$ 61,708	\$ 100	\$ 61,608	\$ 60,868	

These funds were entirely covered by federal depository insurance.

STATE OF NEBRASKA  
Auditor of Public Accounts



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KEITH 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 statement of Keith County Court as of and for the year ended June 30, 2006, and have issued our report thereon dated March 6, 2007. The report was modified to emphasize that the financial statement presents only the Agency Funds of Keith 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 Keith 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 an opinion 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 Keith 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Keith 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 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 Keith County Court in the Comments Section of this report as Comment Number 2 (Amended Citations).

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



March 6, 2007

Assistant Deputy Auditor