

**AUDIT REPORT  
OF  
WAYNE COUNTY COURT**

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

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**Issued on July 11, 2007**

# WAYNE COUNTY COURT

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# WAYNE COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Wayne 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. ***Investment Redemption:*** Investment redemption was not properly run through the bank account.

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.

# WAYNE 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. Investment Redemption

Good internal control requires all financial activity to be run through the bank account and the JUSTICE system, as it is the County Court's financial system.

We noted investments in the amount of \$24,701 were redeemed during the fiscal year. These funds were not deposited in to the checking account; instead money orders were issued directly from the bank to the payee. Checks were also issued in JUSTICE to the payee to properly record the case activity. These checks were never physically written from the checking account; therefore, the total check and deposit amounts from the bank statements do not agree with the receipts and disbursements in JUSTICE. The amount noted was the reconciling difference.

We recommend the County Court review procedures for redeeming investments to ensure all investments are properly recorded in both JUSTICE and in their records.

*County Court's Response: As I stated verbally to you the condemnation that was done by Wayne County was done with the prior Clerk Magistrate, she contacted JUSTICE several times and they had helped her with it, after all was said and done JUSTICE told her also, that it should have also ran through the JUSTICE account.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### WAYNE 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 Wayne 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 Wayne 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 Wayne 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 June 19, 2007, on our consideration of Wayne 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.

June 19, 2007

  
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Cash and Deposits	\$ 73,731	\$ 306,827	\$ 338,018	\$ 42,540
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 4,350	\$ 36,503	\$ 37,575	\$ 3,278
Law Enforcement Fees	389	3,721	3,748	362
State Judges Retirement Fund	856	10,395	10,188	1,063
Court Administrative Fees	3,353	27,613	28,133	2,833
Legal Services Fees	1,023	11,505	11,388	1,140
Due to County Treasurer:				
Regular Fines	17,176	140,391	143,974	13,593
Overload Fines	1,200	1,300	2,500	-
Regular Fees	1,533	7,194	7,205	1,522
Due to Municipalities:				
Regular Fines	491	2,901	3,017	375
Regular Fees	155	1,471	1,576	50
Trust Fund Payable	43,205	63,833	88,714	18,324
<b>Total Liabilities</b>	<b>\$ 73,731</b>	<b>\$ 306,827</b>	<b>\$ 338,018</b>	<b>\$ 42,540</b>

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

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

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Wayne 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 Wayne 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.

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

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

The carrying amounts and bank balances of total deposits, consisted of a checking account, 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, 2006	\$ 42,540	\$ 250	\$ 42,290	\$ 42,501

These funds were entirely covered by federal depository insurance.



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### WAYNE 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 Wayne County Court as of and for the year ended June 30, 2006, and have issued our report thereon dated June 19, 2007. The report was modified to emphasize that the financial statement presents only the Agency Funds of Wayne 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 Wayne 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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 Wayne County Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Segregation of Duties) and Comment Number 2 (Investment Redemption).

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, of the reportable conditions described above, we consider Comment Number 1 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne 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*.

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.

June 19, 2007

  
Assistant Deputy Auditor