

**ATTESTATION REPORT
OF
FURNAS COUNTY COURT**

JULY 1, 2006 THROUGH JUNE 30, 2008

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Issued on April 20, 2009

FURNAS COUNTY COURT

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FURNAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Furnas 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-Monetary Receipts:*** The County Court did not consistently issue non-monetary receipts in a complete and accurate manner.

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. 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 examination.

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

FURNAS 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 examinations.

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.

County Court's Response: Because Furnas County is a one-person office I am solely responsible for conducting all duties within the court.

2. Non-Monetary Receipts

Sound accounting practices and good internal control require all receipts issued, including non-monetary receipts, be complete and accurate.

During testing of 20 non-monetary receipts, the following was noted:

- One instance in which a traffic citation had been dismissed by the County Attorney *at defendant's costs*. However, instead of assessing \$44 court costs to the defendant, the County Court assessed the costs to the plaintiff (State of Nebraska) and in doing so claimed \$14 in non-waiverable costs to Furnas County and waived \$30 in waiverable costs.
- One instance in which \$44 in court costs had been non-monetarily receipted *in its entirety* despite the defendant having been jailed for a period to include credit for such court costs.

When non-monetary receipts are not issued in a complete and accurate manner there is an increased risk of error.

We recommend the County Court work to ensure the completeness and accuracy of all non-monetary receipts issued.

County Court's Response: I have reviewed the two cases referred to in the report and have taken measures to correct these oversights in the future.



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FURNAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Furnas County Court as of and for the fiscal years ended June 30, 2008, and June 30, 2007. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Furnas County Court as of June 30, 2008, and June 30, 2007, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2009, on our consideration of Furnas 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 attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of management, the Supreme Court, others within 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.

Signed Original on File

April 2, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

FURNAS COUNTY COURT
 BEAVER CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and Deposits	\$ 13,464	\$ 186,883	\$ 176,047	\$ 24,300
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,903	\$ 30,147	\$ 29,783	\$ 2,267
Law Enforcement Fees	142	1,678	1,670	150
State Judges Retirement Fund	669	7,772	7,778	663
Court Administrative Fees	930	10,517	10,449	998
Legal Services Fees	715	8,496	8,385	826
Due to County Treasurer:				
Regular Fines	2,847	49,829	48,220	4,456
Overload Fines	-	4,800	2,950	1,850
Regular Fees	14	6,272	5,929	357
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	-	431	366	65
Trust Fund Payable	6,194	66,941	60,517	12,618
Total Liabilities	<u>\$ 13,464</u>	<u>\$ 186,883</u>	<u>\$ 176,047</u>	<u>\$ 24,300</u>

The accompanying notes are an integral part of the schedule.

FURNAS COUNTY COURT
 BEAVER CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
ASSETS				
Cash and Deposits	\$ 9,091	\$ 130,677	\$ 126,304	\$ 13,464
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,648	\$ 25,806	\$ 25,551	\$ 1,903
Law Enforcement Fees	129	1,845	1,832	142
State Judges Retirement Fund	477	7,030	6,838	669
Court Administrative Fees	592	10,408	10,070	930
Legal Services Fees	536	7,525	7,346	715
Due to County Treasurer:				
Regular Fines	1,184	35,852	34,189	2,847
Overload Fines	-	3,568	3,568	-
Regular Fees	-	1,228	1,214	14
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	25	375	400	-
Regular Fees	-	78	78	-
Trust Fund Payable	4,450	36,962	35,218	6,194
Total Liabilities	\$ 9,091	\$ 130,677	\$ 126,304	\$ 13,464

The accompanying notes are an integral part of the schedule.

FURNAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2008, and June 30, 2007

1. Criteria

A. Reporting Entity

The Furnas 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 Schedules 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 Schedules 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 Furnas County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system 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.

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. § 25-2713 (Reissue 2008). 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. § 77-2326.04 (Reissue 2003) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



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FURNAS COUNTY COURT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have examined the accompanying Schedules of Furnas County Court as of and for the years ended June 30, 2008, and June 30, 2007, and have issued our report thereon dated April 2, 2009. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered Furnas County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedules, 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 the accounting system and procedures prescribed by the Nebraska Supreme Court such that there is more than a remote likelihood that a misstatement of the entity's Schedules that is more than inconsequential will not be prevented or detected by 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 Schedules 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 Furnas County Court's Schedules 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 Schedule 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 Furnas County Court in the Comments Section of this report as Comment Number 2 (Non-Monetary Receipts).

The County Court's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the County Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Supreme Court, others within 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.

Signed Original on File

April 2, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor