

**ATTESTATION REPORT
OF
WAYNE COUNTY COURT**

JULY 1, 2007 THROUGH JUNE 30, 2009

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Issued on September 23, 2009

WAYNE COUNTY COURT

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WAYNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination 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. ***Unclaimed Property:*** The County Court did not report and remit trust balances to the State Treasurer that were over three years old as required by State Statute.
3. ***Non-Waiverable Court Costs:*** The County Court did not consistently claim court costs on cases in which defendants' sat out time in jail.

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 examination.

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 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.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1310 (Reissue 2003), the Unclaimed Property Act, provides any unclaimed property, after three years, is presumed abandoned. Any presumed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year.

As of June 30, 2009, we noted one check totaling \$2, two checks totaling \$105, and one check totaling \$94, which should have been reported and remitted to the State Treasurer by November 1, 2006, 2007, and 2008, respectively; however, as of August 27, 2009, all remained unreported and unremitted.

By failing to remit unclaimed property in accordance with the Unclaimd Property Act, the County Court is not in compliance with State Statute. There is also an increased risk of loss or misuse of State funds.

We recommend the County Court work to promptly remit all unclaimed property in its possession in accordance with State Statute.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2008) states, in part, "...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, two dollars of the fee provided in section 33-107.01, 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...."

During testing of non-monetary receipts, we noted all three Jail Time (JL) receipts tested involved criminal cases in which the County Court had waived (non-monetarily receipted) the entire amount of court costs, including those costs which are non-waiverable per Neb. Rev. Stat. § 29-2709 (Reissue 2008).

By failing to apply fees, the County Court is not collecting all money due to the County Court.

We recommend the County Court assess and/or claim all court costs, including on those cases in which defendants' sit time out in jail, in accordance with State Statute.



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WAYNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Wayne County Court as of and for the fiscal years ended June 30, 2009, and June 30, 2008. 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 Wayne County Court as of June 30, 2009, and June 30, 2008, 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 August 27, 2009, 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, 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

August 27, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and Deposits	\$ 32,081	\$ 260,527	\$ 264,574	\$ 28,034
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,425	\$ 37,811	\$ 38,603	\$ 2,633
Law Enforcement Fees	163	2,336	2,316	183
State Judges Retirement Fund	722	10,148	10,043	827
Court Administrative Fees	2,157	20,891	22,017	1,031
Legal Services Fees	817	11,804	11,661	960
Due to County Treasurer:				
Regular Fines	7,576	105,874	104,014	9,436
Overload Fines	100	175	275	-
Regular Fees	45	1,343	1,383	5
Due to Municipalities:				
Regular Fines	100	3,020	2,820	300
Regular Fees	100	1,020	1,070	50
Trust Fund Payable	16,876	66,105	70,372	12,609
Total Liabilities	\$ 32,081	\$ 260,527	\$ 264,574	\$ 28,034

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
WAYNE, 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	\$ 31,035	\$ 262,247	\$ 261,201	\$ 32,081
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,635	\$ 37,039	\$ 36,249	\$ 3,425
Law Enforcement Fees	177	2,079	2,093	163
State Judges Retirement Fund	712	8,952	8,942	722
Court Administrative Fees	1,653	22,038	21,534	2,157
Legal Services Fees	856	10,318	10,357	817
Due to County Treasurer:				
Regular Fines	12,329	97,647	102,400	7,576
Overload Fines	-	150	50	100
Regular Fees	511	1,529	1,995	45
Due to Municipalities:				
Regular Fines	-	1,055	955	100
Regular Fees	134	1,305	1,339	100
Trust Fund Payable	12,028	80,135	75,287	16,876
Total Liabilities	<u>\$ 31,035</u>	<u>\$ 262,247</u>	<u>\$ 261,201</u>	<u>\$ 32,081</u>

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2009, and June 30, 2008

1. Criteria

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 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 Wayne 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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WAYNE 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 Wayne County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated August 27, 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 Wayne 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 Wayne 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 certain additional matters that we reported to the management of Wayne County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property) and Comment Number 3 (Non-Waiverable Court Costs).

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

August 27, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor