

**ATTESTATION REPORT
OF
CASS COUNTY COURT
JULY 1, 2008 THROUGH JUNE 30, 2009**

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Issued on May 11, 2010

CASS COUNTY COURT

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CASS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Cass 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. ***Bank Reconciliation:*** The County Court's bank balance does not reconcile to the book balance. The bank account is short by \$2,222.

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 examination.

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

CASS 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. Bank Reconciliation

Sound accounting practice and good internal control require regular, detailed reconciliations between monies on deposit and the accounting records to ensure errors, omissions, or irregularities that might occur are detected and resolved in a timely manner.

The County Court prepares monthly bank reconciliations, but has indicated a variance between the bank balance and the book balance of \$2,222 since December 2007. This variance consists of three credit card slips from July 2007, totaling \$1,732, which were entered into the accounting system but were never deposited in the bank, various other deposit and accounting errors totaling \$94, and unidentified errors of \$396 dating back to the fiscal year ended June 30, 2003, which have not been resolved. We have noted this comment in prior audits.

When variances between the County Court's bank balance and book balance are not sufficiently itemized to ensure their accuracy and/or resolved in a timely manner, there is an increased risk errors, omissions, or irregularities might occur and go undetected and/or unresolved.

While the County Court has since implemented proper reconciling procedures, a variance still exists between the bank balance and the book balance. We recommend the County Court work with the State Court Administrator to identify and correct the variance noted between the accounting records and the bank records.

CASS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Bank Reconciliation** (Concluded)

County Court's Response: When I accepted this position as Magistrate in Cass County on November 2008 the Cass County Court bank account had a variance of \$2,222.08. Since that time I have been working with the auditors and the State of Nebraska Office of the Supreme Court to correct the variance. This year's audit, which did locate \$95.00 of the variance and it has since been corrected. We also have located \$1,732.00 in credit card receipts that never made it to the bank and we are working on getting that amount corrected and into the bank account. It is my goal to continue to work very hard with Eric Asboe, Budget and Fiscal Officer, to correct these problems and have the variance gone within the next year.



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CASS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Cass County Court as of and for the fiscal year ended June 30, 2009. The County Court's management is responsible for the Schedule. 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 Schedule 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 Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Cass County Court as of June 30, 2009, and the related activity for the fiscal year 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 27, 2010, on our consideration of Cass 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 27, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor

**CASS COUNTY COURT
 PLATTSMOUTH, 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	\$ 360,615	\$ 1,773,644	\$ 1,828,114	\$ 306,145
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 20,688	\$ 203,437	\$ 208,329	\$ 15,796
Law Enforcement Fees	1,678	18,577	18,829	1,426
State Judges Retirement Fund	6,325	71,685	71,707	6,303
Court Administrative Fees	9,754	111,882	113,209	8,427
Legal Services Fees	8,050	89,249	89,785	7,514
Due to County Treasurer:				
Regular Fines	52,508	603,028	612,846	42,690
Overload Fines	32,555	274,624	286,403	20,776
Regular Fees	2,479	23,418	22,883	3,014
Due to Municipalities:				
Regular Fines	-	1,976	1,677	299
Trust Fund Payable	226,578	375,768	402,446	199,900
Total Liabilities	<u>\$ 360,615</u>	<u>\$ 1,773,644</u>	<u>\$ 1,828,114</u>	<u>\$ 306,145</u>

The accompanying notes are an integral part of the schedule.

CASS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2009

1. Criteria

A. Reporting Entity

The Cass 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 Schedule 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 Schedule 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 Cass County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



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

We have examined the accompanying Schedule of Cass County Court as of and for the year ended June 30, 2009, and have issued our report thereon dated April 27, 2010. 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 Cass County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedule, 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 Schedule 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 Schedule 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 Cass County Court's Schedule 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 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 Cass County Court in the Comments Section of this report as Comment Number 2 (Bank Reconciliation).

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 27, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor