

**ATTESTATION REPORT
OF
FRONTIER COUNTY COURT
JULY 1, 2007 THROUGH JUNE 30, 2009**

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Issued on January 4, 2010

FRONTIER COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedule:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2009	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2008	7
Notes to Financial Schedules	8
<u>Government Auditing Standards Section</u>	
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 <i>Government Auditing Standards</i>	9 - 10

FRONTIER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Frontier 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. ***Reconciliation Issues:*** Review of bank activity and related account reconciliations determined: (1) 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; and (2) on May 1, 2009, \$203 receipted by the County Court had been inadvertently deposited to the District Court bank account and \$1 deposited to the County Court bank account had not been receipted into the JUSTICE System. As of December 16, 2009, these accounting/depositing errors had not been corrected

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.

FRONTIER 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. Reconciliation Issues

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. Sound accounting practices and good internal control require comprehensive, detailed reconciliation procedures be in place, at least on a monthly basis, to ensure proper balancing and reconciliation of the County Court's book and bank balances. County Court reconciliation procedures should include timely identification and resolution of all variances noted.

Review of the County Court's bank activity and related monthly account reconciliations determined: (1) 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. As of June 30, 2009, the County Court had 10 checks, totaling \$35, which had been outstanding in excess of three years but as of December 16, 2009, had not been voided and remitted to the State Treasurer as Unclaimed Property. In addition, 6 of 20 case balances tested, totaling \$15, had been inactive in excess of three years, however, none had been remitted to the State Treasurer as Unclaimed Property; and (2) on May 1, 2009, \$203 received by the County Court had been inadvertently deposited to the District Court bank account and \$1 deposited to the County Court bank account had not been receipted into the JUSTICE system. As of December 16, 2009, these accounting/depositing errors had not been corrected.

FRONTIER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Reconciliation Issues (Concluded)

When unclaimed property is not remitted to the State Treasurer in accordance with the Unclaimed Property Act there is an increased risk of statutory noncompliance. In addition, when variances between the County Court's bank and book accounts are not identified and resolved in a timely manner, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Court: (1) work to promptly remit all unclaimed property in its possession in accordance with the State Statute; (2) accurately deposit all monies received in a timely manner; and (3) implement reconciliation procedures which include timely identification and resolution of all variances.

County Court's Response: The \$203.00 has been corrected. I also do the clerical work for the Frontier County District Court and inadvertently used the wrong deposit book.



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FRONTIER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Frontier 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 Frontier 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 December 16, 2009, on our consideration of Frontier 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

December 16, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

FRONTIER COUNTY COURT
STOCKVILLE, 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	\$ 13,069	\$ 104,478	\$ 101,459	\$ 16,088
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,254	\$ 18,382	\$ 18,903	\$ 1,733
Law Enforcement Fees	189	1,418	1,465	142
State Judges Retirement Fund	792	5,677	5,897	572
Court Administrative Fees	843	9,666	9,495	1,014
Legal Services Fees	889	6,852	7,077	664
Due to County Treasurer:				
Regular Fines	2,501	32,558	32,466	2,593
Overload Fines	25	800	825	-
Regular Fees	186	3,154	3,290	50
Due to Municipalities:				
Regular Fines	-	10	10	-
Trust Fund Payable	5,390	25,961	22,031	9,320
Total Liabilities	\$ 13,069	\$ 104,478	\$ 101,459	\$ 16,088

The accompanying notes are an integral part of the schedule.

FRONTIER COUNTY COURT
STOCKVILLE, 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	\$ 13,746	\$ 114,971	\$ 115,648	\$ 13,069
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,752	\$ 20,626	\$ 20,124	\$ 2,254
Law Enforcement Fees	141	1,795	1,747	189
State Judges Retirement Fund	561	6,827	6,596	792
Court Administrative Fees	1,731	11,601	12,489	843
Legal Services Fees	654	8,487	8,252	889
Due to County Treasurer:				
Regular Fines	2,805	43,483	43,787	2,501
Overload Fines	-	1,675	1,650	25
Regular Fees	527	1,483	1,824	186
Due to Municipalities:				
Regular Fines	-	25	25	-
Trust Fund Payable	5,575	18,969	19,154	5,390
Total Liabilities	\$ 13,746	\$ 114,971	\$ 115,648	\$ 13,069

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Frontier 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 Frontier 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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FRONTIER 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 Frontier County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated December 16, 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 Frontier 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 Frontier 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 Frontier County Court in the Comments Section of this report as Comment Number 2 (Reconciliation Issues).

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

December 16, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor