

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

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Issued on February 16, 2010

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Lancaster 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:*** Two individuals were capable of receipting monies, adjusting case balances, voiding receipts and checks, preparing the daily deposits, and preparing the monthly bank reconciliation.
2. ***Non-Monetary Receipts:*** Two of 25 non-monetary receipts could not be traced to supporting documentation and 1 of 25 non-monetary receipts was not entered into JUSTICE timely.

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.

LANCASTER 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 two individuals were capable of receipting monies, adjusting case balances, voiding receipts and checks, preparing the daily deposits, and preparing the monthly bank reconciliations. Additionally, there was no independent review of work performed by these two individuals. 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: Lancaster County Court acknowledges the absolute importance of segregation of duties but we simply do not have enough staff to allow the desired total segregation of duties. We have and will continue to utilize the limited staff that we have to best address concerns in this area.

2. Non-Monetary Receipts

Good internal control requires supporting documentation be available for all non-monetary receipt transactions in order to ensure receipts are accurate and proper. Additionally, these receipts should be entered into the accounting system (JUSTICE) in a timely manner to ensure that accurate balances are maintained on the system.

During our audit, we noted:

- Two of the 25 non-monetary receipts selected for testing could not be traced to supporting documentation.
- One of the 25 non-monetary receipts selected for testing was not entered into JUSTICE in a timely manner. Documentation supporting jail time served for the defendant was received by the County Court in April 2007, but the receipt was not applied in the system until July 2008.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-Monetary Receipts (Concluded)

When adequate documentation is not maintained to support non-monetary receipts and receipts are not recorded timely, there is an increased risk that improper receipts could be made, and balances due in JUSTICE may be incorrect.

We recommend the County Court implement procedures to ensure adequate documentation is on file to support all non-monetary receipts and that receipts are made in a timely manner.

County Court's Response: Lancaster County Court understands and certainly supports the importance of proper documentation for all non-monetary receipts. The clean up effort in the last year as well as further steps in technology have given staff the ability to be more efficient, accurate, and timely in completing duties. We will strive to ensure that no receipt is issued without proper documentation being in place.



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LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Lancaster 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 Lancaster 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 February 5, 2010, on our consideration of Lancaster 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

February 5, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Cash and Deposits	\$ 3,401,888	\$ 14,800,743	\$ 16,795,120	\$ 1,407,511
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 89,814	\$ 1,674,241	\$ 1,700,663	\$ 63,392
Law Enforcement Fees	5,921	131,911	133,625	4,207
State Judges Retirement Fund	24,508	544,968	551,007	18,469
Court Administrative Fees	42,298	1,112,388	1,114,432	40,254
Legal Services Fees	28,028	647,963	653,527	22,464
Due to County Treasurer:				
Regular Fines	92,038	1,865,728	1,887,975	69,791
Overload Fines	3,650	104,411	106,686	1,375
Regular Fees	10,123	124,088	129,007	5,204
Due to Municipalities:				
Regular Fines	128,248	3,507,580	3,532,259	103,569
Regular Fees	10,103	245,336	246,519	8,920
Trust Fund Payable	<u>2,967,157</u>	<u>4,842,129</u>	<u>6,739,420</u>	<u>1,069,866</u>
Total Liabilities	<u>\$ 3,401,888</u>	<u>\$ 14,800,743</u>	<u>\$ 16,795,120</u>	<u>\$ 1,407,511</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Lancaster 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 Lancaster 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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LANCASTER 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 Lancaster County Court as of and for the year ended June 30, 2009, and have issued our report thereon dated February 5, 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 Lancaster 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 Lancaster 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 Lancaster 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

February 5, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor