

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

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Issued on March 25, 2010

RICHARDSON COUNTY COURT

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RICHARDSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Richardson 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. ***Deposits:*** The County Court did not deposit collections with an aggregate amount greater than \$500 within three business days for two of six deposits tested as required by State statute.

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.

RICHARDSON 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. Deposits

Neb. Rev. Stat. § 84-710 (Reissue 2008) states any money belonging to the State must be deposited "...into the state treasury within three business days of the receipt thereof when the aggregate amount is five hundred dollars or more and within seven days of the receipt thereof when the aggregate amount is less than five hundred dollars."

The deposit made on September 24, 2007, for \$5,854 was receipted during September 14 – 21, 2007. A total of \$682 was receipted on September 14, 2007, and should have been deposited no later than September 19, 2007, the third business day after collecting an aggregate amount greater than \$500.

Another deposit made on November 26, 2008, for \$2,302 was receipted during November 19 – 24, 2008. A total of \$607 was receipted on November 19, 2008, and should have been deposited no later than November 24, 2008, the third business day after collecting an aggregate amount greater than \$500.

The County Court did not make deposits in compliance with State statute.

We recommend the County Court ensure deposits are made in compliance with State statute.



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RICHARDSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Richardson 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 Richardson 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 March 4, 2010, on our consideration of Richardson 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

March 4, 2010

Timothy J. Channer, CPA
Assistant Deputy Auditor

RICHARDSON COUNTY COURT
FALLS CITY, 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	\$ 38,167	\$ 245,825	\$ 249,248	\$ 34,744
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,349	\$ 37,138	\$ 37,319	\$ 3,168
Law Enforcement Fees	331	2,636	2,758	209
State Judges Retirement Fund	1,379	11,158	11,633	904
Court Administrative Fees	1,844	19,458	19,757	1,545
Legal Services Fees	1,465	13,390	13,732	1,123
Due to County Treasurer:				
Regular Fines	9,965	84,886	89,219	5,632
Overload Fines	-	5,925	2,225	3,700
Regular Fees	(280)	6,685	5,605	800
Due to Municipalities:				
Regular Fines	221	4,360	3,524	1,057
Regular Fees	14	15	(13)	42
Trust Fund Payable	19,879	60,174	63,489	16,564
Total Liabilities	<u>\$ 38,167</u>	<u>\$ 245,825</u>	<u>\$ 249,248</u>	<u>\$ 34,744</u>

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS				
Cash and Deposits	\$ 33,009	\$ 199,860	\$ 194,702	\$ 38,167
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,644	\$ 35,549	\$ 35,844	\$ 3,349
Law Enforcement Fees	223	2,443	2,335	331
State Judges Retirement Fund	996	10,367	9,984	1,379
Court Administrative Fees	1,964	17,599	17,719	1,844
Legal Services Fees	1,093	12,205	11,833	1,465
Due to County Treasurer:				
Regular Fines	6,580	78,083	74,698	9,965
Overload Fines	-	1,175	1,175	-
Regular Fees	408	5,985	6,673	(280)
Due to Municipalities:				
Regular Fines	279	4,201	4,259	221
Regular Fees	42	22	50	14
Trust Fund Payable	<u>17,780</u>	<u>32,231</u>	<u>30,132</u>	<u>19,879</u>
Total Liabilities	<u>\$ 33,009</u>	<u>\$ 199,860</u>	<u>\$ 194,702</u>	<u>\$ 38,167</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Richardson 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 Richardson 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



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RICHARDSON 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 Richardson County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated March 4, 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 Richardson 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 Richardson 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 Richardson County Court in the Comments Section of this report as Comment Number 2 (Deposits).

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

March 4, 2010

Timothy J. Channer, CPA
Assistant Deputy Auditor