

**ATTESTATION REPORT
OF
SALINE COUNTY COURT**

JULY 1, 2007 THROUGH JUNE 30, 2009

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Issued on March 17, 2010

SALINE COUNTY COURT

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SALINE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Saline 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. ***Overdue Balances:*** The County Court did not review overdue case balances to determine what action should have been taken to collect and/or resolve those balances.
4. ***Record Retention:*** The County Court did not maintain records for an appropriate amount of time, which made testing certain receipts impossible. Also, the County Court did not maintain documentation to support a non-monetary receipt.

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.

SALINE 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 2009), 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 24 checks totaling \$896 which should have been remitted to the State Treasurer's office as unclaimed property. These checks ranged in dates from September 25, 2001, to January 19, 2006. Of those 24 checks, 20 for a total of \$540 should have been remitted to the State Treasurer by November 1, 2008. This was also a comment in our Saline County Court report for the period ended June 30, 2007.

By failing to remit unclaimed property in accordance with the Unclaimed 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 the State statute.

SALINE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overdue Balances

Good internal control and sound accounting practices require overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

Four of ten overdue case balances tested did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances such as the issuance of warrants and/or suspension or declarations of certain overdue balances uncollectible. As of February 27, 2010, overdue balances, excluding restitution, totaled \$105,452. This was a comment in our prior Saline County Court report for the period ended June 30, 2007.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow up action taken or balances may have been previously resolved and should no longer be reflected as being overdue.

We recommend the County Court implement an active review of the Overdue Case Account Report to ensure timely collection and/or resolution of all overdue balances.

4. Record Retention

Prior to October 8, 2008, the Local Government Record Retention Schedule 18, County Courts, Section 18-7-7, regarding Traffic Case Files, required the County Court to maintain traffic case files for two years after a judgment was entered provided an audit had been completed. The current Local Government Record Retention Schedule 18, County Courts, Section 18-7-5, requires the County Court to maintain traffic case files for three years after judgment was satisfied, provided an audit has been completed.

Good internal control requires adequate documentation be maintained to support non-monetary receipts.

Two of twenty-five receipts tested could not be traced to supporting documentation to determine whether the receipt was reasonable. The two receipts amounted to \$154 and both were Traffic cases.

One of fifteen non-monetary receipts tested could not be traced back to supporting documentation to determine whether the receipt was reasonable. Non-monetary receipt was for \$153.

When records are not maintained there is an increased risk of loss or misuse of County Court funds.

SALINE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Record Retention** (Concluded)

We recommend the County Court maintain files in accordance with the Local Government Record Retention Schedule as well as include supporting documentation in the case file when a non-monetary receipt is involved.

County Court's Overall Response: The items/areas listed above are now current...it was done while the auditors were here, and all unclaimed over 3 years is now reported and paid to the State Treasurer. We had two traffic tickets/cases that we could not locate...they were in boxes set aside as we are in the process of painting and carpeting our facility and offices. The list of items above were provided to us, and we corrected the items and reported them to the auditors over the following three days.



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SALINE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Saline 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 Saline 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 3, 2010, on our consideration of Saline 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 3, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor

SALINE COUNTY COURT
WILBER, 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	\$ 81,596	\$ 460,335	\$ 486,827	\$ 55,104
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,620	\$ 72,804	\$ 75,574	\$ 4,850
Law Enforcement Fees	405	4,042	4,142	305
State Judges Retirement Fund	1,810	19,101	19,546	1,365
Court Administrative Fees	4,729	39,779	42,143	2,365
Legal Services Fees	2,044	20,793	21,221	1,616
Due to County Treasurer:				
Regular Fines	16,063	154,085	159,028	11,120
Overload Fines	600	6,270	6,820	50
Regular Fees	1,638	20,688	21,171	1,155
Due to Municipalities:				
Regular Fines	490	2,400	2,740	150
Trust Fund Payable	46,197	120,373	134,442	32,128
Total Liabilities	<u>\$ 81,596</u>	<u>\$ 460,335</u>	<u>\$ 486,827</u>	<u>\$ 55,104</u>

The accompanying notes are an integral part of the schedule.

SALINE COUNTY COURT
WILBER, 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	\$ 65,894	\$ 454,266	\$ 438,564	\$ 81,596
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,699	\$ 71,287	\$ 70,366	\$ 7,620
Law Enforcement Fees	453	4,463	4,511	405
State Judges Retirement Fund	2,013	20,067	20,270	1,810
Court Administrative Fees	4,529	46,401	46,201	4,729
Legal Services Fees	2,191	22,453	22,600	2,044
Due to County Treasurer:				
Regular Fines	14,062	164,221	162,220	16,063
Overload Fines	250	4,614	4,264	600
Regular Fees	2,558	19,710	20,630	1,638
Due to Municipalities:				
Regular Fines	600	4,210	4,320	490
Trust Fund Payable	32,539	96,840	83,182	46,197
Total Liabilities	\$ 65,894	\$ 454,266	\$ 438,564	\$ 81,596

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Saline 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 Saline 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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SALINE 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 Saline County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated March 3, 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 Saline 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 Saline 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 Saline County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property), Comment Number 3 (Overdue Balances), and Comment Number 4 (Record Retention).

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

March 3, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor