

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

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Issued on March 18, 2010

WASHINGTON COUNTY COURT

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WASHINGTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Washington 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. ***Non-Case Receipts:*** The County Court did not ensure payments were applied to a case or followed up on in a timely manner.
3. ***Overdue Balances:*** Subsequent action to ensure resolution or collection of overdue case balances had not been performed by the County Court for three of ten balances tested.

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.

WASHINGTON 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.

County Court's Response: We do try to segregate the duties in having myself as Clerk Magistrate do the daily depositing and as little counterwork handling money as possible.

2. Non-Case Receipts

Sound accounting practices require procedures be in place to ensure payments are applied to a case or followed up on in a timely manner.

During our testing of the Report of Non-Case Receipts, we noted one of seven receipts tested, totaling \$39, did not have timely follow up action taken by the County Court to resolve the unassigned status of the balance. On the one receipt noted above, the amount was originally received in on February 3, 2004, and as of February 23, 2010, no case had been assigned and/or the amount had not been returned.

When the County Court's non-case receipts are not followed up on in a timely manner, there is an increased risk errors, omissions, and/or irregularities may not be detected and/or resolved.

We recommend the County Court implement procedures to ensure non-case receipts are resolved in a timely manner.

County Court's Response: I agree with this comment and yesterday I converted the \$38.50 to unclaimed property after trying to locate the individual that this money was held for and we have never had a case against a defendant by that name.

WASHINGTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overdue Balances

Good internal control and sound business practices require overdue case 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.

During our testing of overdue case balances, we noted three of ten balances tested, totaling \$1,399, 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 suspensions or declaration of certain overdue balances as uncollectible.

Without regular review of overdue case balances, there is an increased risk such balances may not have proper follow up action taken by the County Court or the balances may need to be written off as uncollectible.

We recommend the County Court implement procedures to ensure timely collection and/or resolution of overdue balances on its Overdue Case Account Report.

County Court's Response: On the overdue balances, those cases, 220 to be exact, are uncollected money by the Clerk of the District Court on bindovers that were prior to us billing the county immediately upon the matter being bound over. I did as suggested and prepared a list of all cases that were bound over and submitted the list to her. She said their Judge does not do show causes on unpaid costs, but that she would talk to him again. We also talked about what we could do about this matter since they hold the jurisdiction and she said they write theirs off if they're not paid. I said we couldn't just write them off and there has been no further thoughts on the matter, however, I will keep pursuing this.

APA's Response: We recommend the County Court discuss this issue with the Nebraska State Court Administrator's office to resolve.



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WASHINGTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Washington 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 Washington 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 February 23, 2010, on our consideration of Washington 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 23, 2010

Timothy J. Channer, CPA
Assistant Deputy Auditor

WASHINGTON COUNTY COURT
BLAIR, 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	\$ 179,963	\$ 1,344,423	\$ 1,277,249	\$ 247,137
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,478	\$ 102,813	\$ 102,596	\$ 7,695
Law Enforcement Fees	408	6,180	6,159	429
State Judges Retirement Fund	1,732	25,756	25,592	1,896
Court Administrative Fees	6,864	79,796	82,367	4,293
Legal Services Fees	2,119	31,415	31,300	2,234
Due to County Treasurer:				
Regular Fines	19,237	250,435	255,685	13,987
Overload Fines	825	2,200	3,025	-
Regular Fees	1,073	24,845	24,552	1,366
Due to Municipalities:				
Regular Fines	175	4,551	4,346	380
Regular Fees	200	2,189	2,278	111
Trust Fund Payable	<u>139,852</u>	<u>814,243</u>	<u>739,349</u>	<u>214,746</u>
Total Liabilities	<u>\$ 179,963</u>	<u>\$ 1,344,423</u>	<u>\$ 1,277,249</u>	<u>\$ 247,137</u>

The accompanying notes are an integral part of the schedule.

WASHINGTON COUNTY COURT
BLAIR, 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	\$ 167,596	\$ 831,569	\$ 819,202	\$ 179,963
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 9,348	\$ 95,280	\$ 97,150	\$ 7,478
Law Enforcement Fees	503	5,529	5,624	408
State Judges Retirement Fund	2,037	22,272	22,577	1,732
Court Administrative Fees	5,218	78,824	77,178	6,864
Legal Services Fees	2,423	27,037	27,341	2,119
Due to County Treasurer:				
Regular Fines	18,271	241,188	240,222	19,237
Overload Fines	200	2,950	2,325	825
Regular Fees	2,702	20,346	21,975	1,073
Due to Municipalities:				
Regular Fines	409	2,834	3,068	175
Regular Fees	100	2,392	2,292	200
Trust Fund Payable	126,385	332,917	319,450	139,852
Total Liabilities	\$ 167,596	\$ 831,569	\$ 819,202	\$ 179,963

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Washington 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 Washington 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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WASHINGTON 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 Washington County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated February 23, 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 Washington 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 Washington 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 Washington County Court in the Comments Section of this report as Comment Number 2 (Non-Case Receipts) and Comment Number 3 (Overdue Balances).

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 23, 2010

Timothy J. Channer, CPA
Assistant Deputy Auditor