

**ATTESTATION REPORT
OF
JOHNSON COUNTY COURT**

JULY 1, 2008 THROUGH JUNE 30, 2010

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Issued on May 24, 2011

JOHNSON COUNTY COURT

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JOHNSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Johnson 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. ***Bank Reconciliations:*** The County Court did not consistently reconcile the bank balance to the accounting balance.
3. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.

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.

JOHNSON 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. Bank Reconciliations

Sound accounting practice and good internal control require regular, detailed reconciliations between monies on deposit and the accounting records to ensure errors, omissions, or irregularities that might occur are detected and resolved in a timely manner.

We noted 4 months during our audit period when variances between the bank balance and the accounting balance were not identified. These variances ranged from \$18 to \$586. Additionally, there were 4 months during the audit period where there was no documentation available to support a bank reconciliation was performed. We also noted similar issues on the bank reconciliations after the end of the audit period.

When variances between the County Court's bank balance and accounting balance are not sufficiently itemized to ensure their accuracy and/or resolved in a timely manner, there is an increased risk errors, omissions, or irregularities might occur and go undetected and/or unresolved.

We recommend the County Court implement procedures to prepare and document bank reconciliations and identify any variances noted in a timely manner.

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS (Continued)

2. Bank Reconciliations (Concluded)

County Court's Response: The reconciliation function has primarily been handled by my Assistant Clerk, since I am only in Johnson County on court days and when my Clerk is on vacation. I did know that we had an issue with not being able to reconcile at one point early in the audit period. We worked with Sherri Dennis at the Court Administrators Office and she helped us find the discrepancy which was the result of the bank charging for checks that we had previously paid by a claim with the county. After that point in time I was unaware that there were reports missing or that we had unexplained variances.

With the increased use of e-filing and e-payments, the task of reconciling has become more cumbersome. It appears that my Clerk had difficulty with this task and did not notify me. With regard to future reconciliations, I have asked my Clerk to contact me when the bank statements are received and I will take over the duties of reconciling (from Pawnee County by pass-thru, if need be). I have spoken with Sherri Dennis at the AOC, and she feels we will be able to resolve the noted problems for our next audit period. I do check the daily reports for variances, and pursuant to my conversation with the auditor, she does not feel that there are any funds missing.

3. Overdue Balances

Good internal control and sound business 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.

During testing of 8 overdue balances, 6, totaling \$1,257, 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. As of May 7, 2011, overdue balances, excluding restitution judgments, totaled \$12,260.

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

We recommend the County Court implement ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

County Court's Response: I regret to admit that this is an area where we are lacking follow-up in Johnson County. As I stated previously, because of limited staffing in Pawnee and Johnson County and in an effort to comply with the mileage reimbursement restrictions promulgated, my presence in Johnson County is at a minimum. We have been asked to do more and more with less staff, but I do feel this is an area where we need improvement, and I will attempt to see that this gets accomplished. In reviewing the auditor's list of the 8 overdue balances noted, the majority of them could be resolved with the issuance of non-monetary receipts for jail time or written off because they are uncollectible balances.



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JOHNSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Johnson County Court as of and for the fiscal years ended June 30, 2010, and June 30, 2009. 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 that 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 Johnson County Court as of June 30, 2010, and June 30, 2009, 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 May 10, 2011, on our consideration of Johnson County Court's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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

May 10, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

JOHNSON COUNTY COURT
TECUMSEH, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Cash and Deposits	\$ 29,209	\$ 148,816	\$ 160,367	\$ 17,658
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,881	\$ 22,291	\$ 22,328	\$ 1,844
Law Enforcement Fees	119	1,652	1,626	145
State Judges Retirement Fund	519	6,648	6,620	547
Court Administrative Fees	1,610	14,985	15,645	950
Legal Services Fees	626	7,065	7,096	595
Due to County Treasurer:				
Regular Fines	5,010	46,431	47,586	3,855
Overload Fines	1,925	3,125	5,050	-
Regular Fees	97	4,209	4,277	29
Due to Municipalities:				
Regular Fines	150	4,440	4,590	-
Trust Fund Payable	<u>17,272</u>	<u>37,970</u>	<u>45,549</u>	<u>9,693</u>
Total Liabilities	<u>\$ 29,209</u>	<u>\$ 148,816</u>	<u>\$ 160,367</u>	<u>\$ 17,658</u>

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
TECUMSEH, 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	\$ 24,292	\$ 175,574	\$ 170,657	\$ 29,209
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,235	\$ 25,095	\$ 25,449	\$ 1,881
Law Enforcement Fees	137	1,430	1,448	119
State Judges Retirement Fund	629	6,196	6,306	519
Court Administrative Fees	809	10,649	9,848	1,610
Legal Services Fees	734	7,208	7,316	626
Due to County Treasurer:				
Regular Fines	3,050	45,399	43,439	5,010
Overload Fines	300	4,025	2,400	1,925
Regular Fees	111	5,002	5,016	97
Due to Municipalities:				
Regular Fines	375	2,970	3,195	150
Regular Fees	-	14	14	-
Trust Fund Payable	<u>15,912</u>	<u>67,586</u>	<u>66,226</u>	<u>17,272</u>
Total Liabilities	<u>\$ 24,292</u>	<u>\$ 175,574</u>	<u>\$ 170,657</u>	<u>\$ 29,209</u>

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2010, and June 30, 2009

1. Criteria

A. Reporting Entity

The Johnson 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 Johnson 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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JOHNSON 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 Johnson County Court as of and for the years ended June 30, 2010, and June 30, 2009, and have issued our report thereon dated May 10, 2011. 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 Johnson County Court's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedules will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the Comments Section of the report to be a material weakness: Comment Number 1 (Segregation of Duties).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Johnson County Court's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, 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 items that we reported to management of Johnson County Court in the Comments Section of this report as Comment Number 2 (Bank Reconciliations) 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

May 10, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor