

**ATTESTATION REPORT
OF
KEYA PAHA COUNTY COURT
JULY 1, 2009 THROUGH JUNE 30, 2011**

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Issued on July 22, 2011

KEYA PAHA COUNTY COURT

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KEYA PAHA COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Keya Paha County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and other operational matters that are presented here.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

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:*** Considered to be a material weakness, one individual was capable of handling all phases of a transaction from beginning to end.
2. ***Non-Case Receipts:*** The Monthly Report of Non-Case Receipts was not reviewed by the Court in a timely manner to ensure prompt resolution of non-case receipts.
3. ***Timely Deposit of Receipts:*** The County Court did not consistently deposit all monies received in a timely manner.

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.

KEYA PAHA 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. Non-Case Receipts

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review of all monthly financial reports, including the Report of Non-Case Receipts. In addition, sound accounting practices require procedures be in place to timely resolve all monies received by the County Court.

Testing of non-case receipts as of June 30, 2011, noted 7 non-case receipts, totaling \$553, which had been received by the County Court from August 2007 to November 2010. In July 2011, the County Court submitted to Unclaimed Property and/or refunded to defendants the \$553 it had received in these cases.

When the County Court's monthly financial reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities which would not be detected and/or resolved in a timely manner.

We strongly recommend the County Court perform ongoing, detailed review of all monthly financial reports, including the Report of Non-Case Receipts, in an attempt to identify and resolve unattached and/or unusual balances in a timely manner.

KEYA PAHA COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Timely Deposit of Receipts

Sound accounting practices and good internal control require timely deposit of all monies received. Timely deposit of receipts would generally occur no more than one to two working days after the date of original receipt.

Review of bank reconciliations and testing of County Court deposits noted the following:

- \$123 in cash received by the County Court on June 30, 2010, was not deposited until August 2, 2010.
- \$73 in cash and \$120 in checks received by the County Court on May 18, 2011, were not deposited until June 13, 2011.

When monies received are not deposited in a timely manner, there is an increased risk of loss, theft, or misuse.

We recommend the County Court implement procedures to ensure all monies received are deposited in a timely manner.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

KEYA PAHA COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Keya Paha County Court as of and for the fiscal years ended June 30, 2011, and June 30, 2010. 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 Keya Paha County Court as of June 30, 2011, and June 30, 2010, 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 are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We performed our examination to express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management, is described in the Comments Section of the report.

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

July 14, 2011

Don Dunlap, CPA
Assistant Deputy Auditor

KEYA PAHA COUNTY COURT
SPRINGVIEW, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and Deposits	\$ 1,608	\$ 20,968	\$ 20,771	\$ 1,805
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 286	\$ 4,810	\$ 4,827	\$ 269
Law Enforcement Fees	45	445	473	17
State Judges Retirement Fund	120	1,305	1,341	84
Court Administrative Fees	146	1,573	1,651	68
Legal Services Fees	139	1,476	1,552	63
Due to County Treasurer:				
Regular Fines	385	9,310	9,420	275
Overload Fines	75	1,075	1,100	50
Regular Fees	-	18	18	-
Trust Fund Payable	412	956	389	979
Total Liabilities	<u>\$ 1,608</u>	<u>\$ 20,968</u>	<u>\$ 20,771</u>	<u>\$ 1,805</u>

The accompanying notes are an integral part of the schedule.

KEYA PAHA COUNTY COURT
SPRINGVIEW, 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	\$ 2,653	\$ 23,692	\$ 24,737	\$ 1,608
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 184	\$ 4,638	\$ 4,536	\$ 286
Law Enforcement Fees	17	503	475	45
State Judges Retirement Fund	63	1,700	1,643	120
Court Administrative Fees	70	2,138	2,062	146
Legal Services Fees	82	1,971	1,914	139
Due to County Treasurer:				
Regular Fines	635	10,032	10,282	385
Overload Fines	-	1,885	1,810	75
Regular Fees	-	101	101	-
Trust Fund Payable	1,602	724	1,914	412
Total Liabilities	\$ 2,653	\$ 23,692	\$ 24,737	\$ 1,608

The accompanying notes are an integral part of the schedule.

KEYA PAHA COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2011, and June 30, 2010

1. Criteria

A. Reporting Entity

The Keya Paha 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 Keya Paha 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.