

**ATTESTATION REPORT
OF
LOGAN COUNTY COURT**

JULY 1, 2008 THROUGH JUNE 30, 2010

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Issued on March 11, 2011

LOGAN COUNTY COURT

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LOGAN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Logan 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. ***Monthly Report Review:*** The Monthly Case Balance Report is not reviewed, with corrective action taken when necessary to resolve issues.

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.

LOGAN 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: The issue of Segregation of Duties is an ongoing issue in all rural courts which the auditors report every time an audit is completed. Therefore, further discussion is not necessary due to our administration/auditors already being aware of this issue.

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.

A total of five outstanding checks at June 30, 2010, totaling \$60, had been outstanding in excess of three years and as of March 2, 2011, had not been voided and remitted to the State Treasurer as Unclaimed Property.

When unclaimed property is not remitted to the State Treasurer in accordance with the Unclaimed Property Act, the Court is not compliant with Statutory requirements.

We recommend the County Court work to promptly remit all unclaimed property in its possession in accordance with State Statute.

LOGAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Unclaimed Property (Concluded)

County Court's Response: The issue of Unclaimed Property, I felt was taken care of when we submitted our unclaimed property report in November of 2010. I followed the instructions in the manual and thought I had completed it correctly. The checks in question have already been voided and a new unclaimed property report will be issued this week.

3. Monthly Report Review

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report. In addition, sound accounting practices require procedures be in place which ensure the complete and accurate posting of defendant payments to their respective cases.

During testing of case balances, five of eight trust balances tested as of June 30, 2009, and two of eight trust balances tested as of June 30, 2010, were not appropriate, with the following noted regarding these seven exceptions:

- Two exceptions, totaling \$28, were related to non-waiverable reimbursed court costs which the Court had not placed into the appropriate JUSTICE system account code to reimburse Logan County.
- Four exceptions, totaling \$405, related to defendant payments in full on traffic citations which the Court had not applied to the defendant's fines and costs. As a result, in two of these cases the drivers license of the defendants were suspended in error by the Court.
- One \$119 exception related to a defendant's payment which had been applied to an incorrect case by the Court.

When the County Court's monthly reports are not 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 Monthly Case Balance Report, in an attempt to identify and resolve unattached and/or unusual balances in a timely manner.

County Court's Response: My biggest concern is in regards to the issue of the Monthly Report Review, it seems most of the exceptions listed were due to internet payments not closing out the cases. I have been careful to check all internet payments on TCJDISP to verify payments are connected, but apparently there were a few that were missed. These have been taken care of now and DMV was notified on the two that had suspended licenses. Since the audit, I have reviewed the reports and made necessary adjustments for the \$14.00 amounts that should have

LOGAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Monthly Report Review (Concluded)

County Court's Response, Concluded:

been paid to reimburse the county. I simply had the \$14.00 amounts in the wrong "bucket" on Justice. They were from a while back and they have since been corrected. In regards to the \$119 exception. I'm a little surprised this was even an issue. The defendant had entered the wrong citation number when paying the ticket online, so it went to the wrong case. He then paid it a second time, so his original case was closed out. Unless it's brought to our attention, we would have no idea what case it would have been connected to. This issue, in my opinion, was the defendant's error and not the court's.

In summary, closer attention will be paid specifically to the monthly case balance reports and unclaimed property. I feel we pay close attention to our reports and financial aspects of the four courts we serve. The few issues that were brought to my attention have been resolved and won't be an ongoing problem.



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LOGAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Logan 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 Logan 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 March 2, 2011, on our consideration of Logan 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

March 2, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

LOGAN COUNTY COURT
STAPLETON, 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 | \$ 6,623 | \$ 70,441 | \$ 66,668 | \$ 10,396 |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 777 | 10,438 | \$ 10,350 | \$ 865 |
| Law Enforcement Fees | 76 | 1,452 | 1,408 | 120 |
| State Judges Retirement Fund | 286 | 4,482 | 4,434 | 334 |
| Court Administrative Fees | 312 | 5,886 | 5,709 | 489 |
| Legal Services Fees | 365 | 5,056 | 5,032 | 389 |
| Due to County Treasurer: | | | | |
| Regular Fines | 2,400 | 35,493 | 35,111 | 2,782 |
| Overload Fines | - | 1,100 | 550 | 550 |
| Regular Fees | 14 | 244 | 223 | 35 |
| Petty Cash Fund | - | - | - | - |
| Due to Municipalities: | | | | |
| Regular Fines | - | 50 | 50 | - |
| Regular Fees | - | 25 | 25 | - |
| Trust Fund Payable | 2,393 | 6,215 | 3,776 | 4,832 |
| Total Liabilities | \$ 6,623 | \$ 70,441 | \$ 66,668 | \$ 10,396 |

The accompanying notes are an integral part of the schedule.

LOGAN COUNTY COURT
STAPLETON, 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 | \$ 6,345 | \$ 52,704 | \$ 52,426 | \$ 6,623 |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 773 | \$ 8,313 | \$ 8,309 | \$ 777 |
| Law Enforcement Fees | 85 | 815 | 824 | 76 |
| State Judges Retirement Fund | 312 | 3,046 | 3,072 | 286 |
| Court Administrative Fees | 346 | 3,382 | 3,416 | 312 |
| Legal Services Fees | 374 | 3,875 | 3,884 | 365 |
| Due to County Treasurer: | | | | |
| Regular Fines | 2,145 | 26,070 | 25,815 | 2,400 |
| Overload Fines | 475 | 1,550 | 2,025 | - |
| Regular Fees | 22 | 56 | 64 | 14 |
| Petty Cash Fund | - | - | - | - |
| Due to Municipalities: | | | | |
| Regular Fines | - | 109 | 109 | - |
| Regular Fees | - | - | - | - |
| Trust Fund Payable | 1,813 | 5,488 | 4,908 | 2,393 |
| Total Liabilities | \$ 6,345 | \$ 52,704 | \$ 52,426 | \$ 6,623 |

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Logan 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 Logan 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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LOGAN 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 Logan County Court as of and for the years ended June 30, 2010, and June 30, 2009, and have issued our report thereon dated March 2, 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 Logan 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 Logan 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 Logan County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property) and Comment Number 3 (Monthly Report Review).

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 2, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor