

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

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Issued on February 14, 2012

CHEYENNE COUNTY COURT

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CHEYENNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Cheyenne County Court, we noted certain deficiencies 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. ***Unclaimed Property:*** The County Court did not report and remit trust balances, including outstanding checks, to the State Treasurer that were over three years old as required by State statute.
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.
4. ***Miscellaneous Cash Bag:*** The County Court maintained monies in a cash bag which it used to finance the County Court's cash short/long transactions and make change for its office cash drawers.

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.

CHEYENNE 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: I understand the segregation of duties.

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.

At June 30, 2011, the County Court had issued four checks, totaling \$198, which should have been remitted to the State Treasurer by November 1, 2010, and thirteen checks, totaling \$989, which should have been remitted to the State Treasurer by November 1, 2011. As of November 9, 2011, the County Court had remitted all but one \$10 check to the State Treasurer.

When unclaimed property in the County Court's possession is not remitted to the State Treasurer in accordance with State Statute not only is the County Court non-compliant but there is an increased risk of loss, theft, or misuse of funds.

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

County Court's Response: I missed the unclaimed property date because I was unaware of a deadline date. Received a reminder in 2010 when I started as clerk magistrate, but not advised in 2011. I had not had the time to get to the reports and was unsure which reports to review first. We were short staffed for quite some time, and just had not been able to work on reports.

CHEYENNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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 10 overdue balances, 6, totaling \$3,251, 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 January 21, 2012, overdue balances, excluding restitution judgments, totaled \$72,181.

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.

4. Miscellaneous Cash Bag

Sound accounting practices and good internal control require the complete, accurate, and timely recording of all monies received including short/long amounts. Furthermore, the Financial Manual Daily Balancing Checklist No. 5, *How to Process Cash Short/Long*, issued by the Office of the State Court Administrator, requires County Courts to record all short/long amounts in the JUSTICE system, the computerized financial and case management system of the County Court, after all attempts have been made to locate the errors and the County Court has been unsuccessful.

During a surprise cash count it was determined the County Court maintained a cash bag which consisted of an unidentified amount of personal monies as well as an unidentified accumulation of monies related to unrecorded cash shorts/longs of the County Court. At the time of the January 24, 2012, cash count the cash bag contained \$17. The Clerk Magistrate reported that these monies are primarily used to make change to the County Court's cash drawers and accumulate cash shorts/longs. These monies are not recorded on the JUSTICE system.

When unrecorded monies are maintained by the County Court and cash short/long amounts are not reported, not only is the County Court non-compliant with requirements imposed on it by the Office of the State Court Administrator, there is also an increased risk of loss, theft, or misuse of such funds.

CHEYENNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Miscellaneous Cash Bag** (Concluded)

We recommend all monies which come into the County Court's possession and control be completely, accurate, and timely recorded in the JUSTICE system. Furthermore, we recommend that all short/long amounts be similarly recorded and reported by the County Court.

County Court's Response: As for the miscellaneous cash bag, it was staff's money in the bag. We used it for coin change since our staff cash bags ("drawers") usually didn't have coins in them. The audit makes it sound like we took money from the state, which is untrue. The coin bag started before I even worked here by other staff with their own money. We used it to make change. It was not used to "finance the County Court's cash long/short transactions".

APA Response: During the audit the Clerk Magistrate stated to the APA that the miscellaneous cash bag consisted of an unidentified amount of personal monies and an unidentified accumulation of cash shorts/longs of the County Court. Again, there were \$0 shorts/longs recorded by the County Court in the fiscal years ended June 30, 2010, and June 30, 2011. If the composition of the County Court's approved cash drawers does not meet the County Court's change needs, they should consider altering the breakdown of the currency kept in those drawers. We continue to recommend all monies be completely, accurate, and timely recorded in the JUSTICE system, including short/long amounts.



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CHEYENNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Cheyenne 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 Cheyenne 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

January 25, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

CHEYENNE COUNTY COURT
SIDNEY, 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	\$ 511,197	\$ 424,104	\$ 832,022	\$ 103,279
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,714	\$ 65,053	\$ 60,478	\$ 9,289
Law Enforcement Fees	416	5,324	5,120	620
State Judges Retirement Fund	1,510	19,770	18,810	2,470
Court Administrative Fees	3,335	36,338	36,033	3,640
Legal Services Fees	1,705	20,194	19,747	2,152
Due to County Treasurer:				
Regular Fines	7,615	115,781	109,331	14,065
Overload Fines	398	6,250	5,923	725
Regular Fees	324	6,352	6,032	644
Due to Municipalities:				
Regular Fines	340	4,593	4,659	274
Regular Fees	84	1,578	1,494	168
Trust Fund Payable	<u>490,756</u>	<u>142,871</u>	<u>564,395</u>	<u>69,232</u>
Total Liabilities	<u>\$ 511,197</u>	<u>\$ 424,104</u>	<u>\$ 832,022</u>	<u>\$ 103,279</u>

The accompanying notes are an integral part of the schedule.

CHEYENNE COUNTY COURT
SIDNEY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and Deposits	\$ 86,754	\$ 893,203	\$ 468,760	\$ 511,197
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,069	\$ 68,826	\$ 70,181	\$ 4,714
Law Enforcement Fees	524	5,504	5,612	416
State Judges Retirement Fund	2,233	22,304	23,027	1,510
Court Administrative Fees	3,030	38,155	37,850	3,335
Legal Services Fees	2,737	23,375	24,407	1,705
Due to County Treasurer:				
Regular Fines	14,245	141,449	148,079	7,615
Overload Fines	1,219	25,775	26,596	398
Regular Fees	458	5,602	5,736	324
Due to Municipalities:				
Regular Fines	616	6,566	6,842	340
Regular Fees	91	1,611	1,618	84
Trust Fund Payable	55,532	554,036	118,812	490,756
Total Liabilities	<u>\$ 86,754</u>	<u>\$ 893,203</u>	<u>\$ 468,760</u>	<u>\$ 511,197</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Cheyenne 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 Cheyenne 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.