

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

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**Issued on May 24, 2012**

# FRONTIER COUNTY COURT

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<b><u>Financial Section</u></b>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2011	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2010	7
Notes to Financial Schedules	8

# FRONTIER COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of Frontier County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and another operational matter that is 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 following areas:

- 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. *Monthly Bank Reconciliation Issues:*** Review of bank activity, related account reconciliations, and trust balances determined the County Court did not: (1) report and remit to the State Treasurer trust balances that were over three years old, as required by State statute; and (2) attempt to identify and resolve variances in its monthly account reconciliations. At June 30, 2011, the County Court had a net \$73 total of unidentified and subsequently unresolved accounting errors, which remained unidentified until time of May 9, 2012, attestation fieldwork.

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.

# FRONTIER 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. Monthly Bank Reconciliation Issues

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes abandoned intangible personal property held by a County Court and unclaimed for more than three years. Neb. Rev. Stat. § 69-1310(a) (Reissue 2009) requires such unclaimed property to be reported to the State Treasurer. Additionally, sound accounting practices and good internal control require that comprehensive, detailed reconciliation procedures be in place, at least on a monthly basis, to ensure proper balancing and reconciliation of the County Court's book and bank balances. County Court reconciliation procedures should include timely identification and resolution of all variances noted.

Review of bank activity, related account reconciliations, and trust balances determined: (1) \$12 in outstanding checks and a \$2 trust balance tested were, as of June 30, 2011, unclaimed for more than three years; however, the County Court did not report and remit these items to the State Treasurer as required by State Statute; and (2) the County Court did not attempt to identify and resolve variances in its monthly account reconciliations. At June 30, 2011, the County Court had a net \$73 total of unidentified and subsequently unresolved accounting errors, which remained unidentified until May 9, 2012, attestation fieldwork. These accounting errors included a \$73 receipt deposited to the County Court's bank account, which had not been monetarily receipted into the JUSTICE accounting system, a \$1 miscellaneous bank debit out of the County Court's bank account related to transferred funds, and a \$1 under receipt of deposited transactions.

# FRONTIER COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 2. **Monthly Bank Reconciliation Issues** (Concluded)

Failure to remit unclaimed property to the State Treasurer as required by the Uniform Disposition of Unclaimed Property Act constitutes a violation of State statute. In addition, when variances between the County Court's bank and book accounts are not identified and resolved in a timely manner, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Court: (1) implement procedures to ensure the timely remittance of all unclaimed property in its possession in accordance with State statute; and (2) implement monthly bank reconciliation procedures, including the complete and accurate identification and resolution of all variances.

*County Court's Response: All issues regarding this finding have been reviewed and corrected with the help of Sherri Dennis with the OCIO (Office of the Chief Information Officer) Help Desk.*



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### FRONTIER COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

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

May 9, 2012

Pat Reding, CPA  
Assistant Deputy Auditor

**FRONTIER COUNTY COURT**  
**STOCKVILLE, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<b>ASSETS</b>				
Cash and Deposits	\$ 15,735	\$ 79,899	\$ 86,428	\$ 9,206
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,085	\$ 13,827	\$ 13,300	\$ 1,612
Law Enforcement Fees	111	1,473	1,471	113
State Judges Retirement Fund	394	5,049	5,042	401
Court Administrative Fees	543	9,778	9,740	581
Legal Services Fees	425	5,159	5,203	381
Due to County Treasurer:				
Regular Fines	1,884	23,317	22,872	2,329
Overload Fines	-	3,900	3,500	400
Regular Fees	33	1,977	1,801	209
Due to Municipalities:				
Regular Fines	-	25	25	-
Trust Fund Payable	11,260	15,394	23,474	3,180
<b>Total Liabilities</b>	<b>\$ 15,735</b>	<b>\$ 79,899</b>	<b>\$ 86,428</b>	<b>\$ 9,206</b>

The accompanying notes are an integral part of the schedule.

**FRONTIER COUNTY COURT**  
**STOCKVILLE, 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
<b>ASSETS</b>				
Cash and Deposits	\$ 16,088	\$ 224,706	\$ 225,059	\$ 15,735
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,733	\$ 16,001	\$ 16,649	\$ 1,085
Law Enforcement Fees	142	1,403	1,434	111
State Judges Retirement Fund	572	5,232	5,410	394
Court Administrative Fees	1,014	8,425	8,896	543
Legal Services Fees	664	5,675	5,914	425
Due to County Treasurer:				
Regular Fines	2,593	31,917	32,626	1,884
Overload Fines	-	875	875	-
Regular Fees	50	3,059	3,076	33
Trust Fund Payable	9,320	152,119	150,179	11,260
<b>Total Liabilities</b>	<b>\$ 16,088</b>	<b>\$ 224,706</b>	<b>\$ 225,059</b>	<b>\$ 15,735</b>

The accompanying notes are an integral part of the schedule.

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

**1. Criteria**

**A. Reporting Entity**

The Frontier 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 Frontier 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.