

**ATTESTATION REPORT
OF
HOWARD COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2011

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Issued on June 11, 2012

HOWARD COUNTY COURT

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HOWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Howard 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 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. ***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.
3. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not routinely 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. 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.

HOWARD 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. 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 five overdue balances, four, totaling \$1,239, 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 April 28, 2012, overdue balances, excluding restitution judgments, totaled \$23,240.

We have also noted this comment in previous examinations.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have the 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.

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Overdue Balances** (Concluded)

County Court's Response: Implementation of a timely review procedure in the future will be easier to attain with the recent addition of the full-time employee for the Howard County Court office.

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 and the Report of Non-Case Receipts. In addition, sound accounting practices require procedures be in place which ensure the complete and accurate posting of defendant payments to their respective cases in a timely manner.

During testing of the June 30, 2010, and June 30, 2011, case balances and non-case receipts, the following was noted:

- Three of four traffic case balances tested were not timely resolved by the County Court, including application of defendant payments to fines/costs or refund of significant overpayments.
- Ten of ten non-case receipts tested were not applied to fines/costs in a timely manner. The Non-case receipt balance at June 30, 2010, consisted of 43 receipts, totaling \$4,963. The Non-case receipt balance at June 30, 2011, consisted of 47 receipts, totaling \$4,868. The Clerk Magistrate indicated to the Auditor of Public Accounts that she did not have time to keep up with the Court's non-case receipts.

When the County Court's monthly 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 a detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

County Court's Response: Implementation of a timely review procedure in the future will be easier to attain with the recent addition of the full-time employee for the Howard County Court office.



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HOWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Howard 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 Howard 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 certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are 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 3, 2012

Don Dunlap, CPA
Assistant Deputy Auditor

HOWARD COUNTY COURT
ST. PAUL, 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
ASSETS				
Cash and Deposits	\$ 31,423	\$ 290,198	\$ 278,869	\$ 42,752
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,818	\$ 53,750	\$ 51,316	\$ 6,252
Law Enforcement Fees	480	6,524	6,168	836
State Judges Retirement Fund	1,593	20,247	19,460	2,380
Court Administrative Fees	2,626	30,665	29,866	3,425
Legal Services Fees	1,694	22,494	21,437	2,751
Due to County Treasurer:				
Regular Fines	6,651	94,501	90,690	10,462
Overload Fines	-	6,325	5,900	425
Regular Fees	102	3,439	3,315	226
Due to Municipalities:				
Regular Fines	307	410	717	-
Trust Fund Payable	14,152	51,843	50,000	15,995
Total Liabilities	\$ 31,423	\$ 290,198	\$ 278,869	\$ 42,752

The accompanying notes are an integral part of the schedule.

HOWARD COUNTY COURT
ST. PAUL, 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	\$ 51,254	\$ 239,841	\$ 259,672	\$ 31,423
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,153	\$ 44,664	\$ 46,999	\$ 3,818
Law Enforcement Fees	505	4,572	4,597	480
State Judges Retirement Fund	1,984	16,588	16,979	1,593
Court Administrative Fees	2,393	25,873	25,640	2,626
Legal Services Fees	2,499	18,081	18,886	1,694
Due to County Treasurer:				
Regular Fines	13,136	83,358	89,843	6,651
Overload Fines	1,250	3,425	4,675	-
Regular Fees	415	2,799	3,112	102
Due to Municipalities:				
Regular Fines	411	1,276	1,380	307
Trust Fund Payable	22,508	39,205	47,561	14,152
Total Liabilities	\$ 51,254	\$ 239,841	\$ 259,672	\$ 31,423

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Howard 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 Howard 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.