

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT
JULY 1, 2010 THROUGH JUNE 30, 2011**

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Issued on March 29, 2012

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Lancaster 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, two individuals were capable of handling all phases of a transaction from beginning to end.
- 2. *Supporting Documentation:*** We noted two instances where supporting documentation was not on file for receipts/adjustments made by the County Court.

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.

LANCASTER 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 two individuals were performing numerous procedures such as receipting monies, adjusting case balances, voiding receipts and checks, preparing the daily deposits, and preparing the monthly bank reconciliations. Additionally, there was no independent review of work performed by these two individuals. 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: Lancaster County Court recognizes and shares this concern regarding segregation of duties. We will continue to monitor the segregation of duties and make every effort to divide work so as to provide the desired segregation whenever possible.

2. Supporting Documentation

Good internal control requires supporting documentation be available for all receipt and adjustment transactions in order to ensure receipts are accurate and proper.

During testing we noted the following:

- One instance where a bond was adjusted to the forfeiture account with no written order by the Judge.
- One instance where a traffic citation could not be located to support a receipt.

When adequate documentation is not maintained to support all receipts and adjustments, there is an increased risk that improper receipts and adjustments could be made.

We recommend the County Court implement procedures to ensure adequate documentation is on file to support all receipts and adjustments.

County Court's Response: Lancaster County Court will develop a written policy regarding bond forfeitures on past due time pay files. We do understand the absolute importance of supporting documentation in any matter.



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LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Lancaster County Court as of and for the fiscal year ended June 30, 2011. The County Court's management is responsible for the Schedule. 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 Schedule 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 Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Lancaster County Court as of June 30, 2011, and the related activity for the fiscal year 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 Schedule 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 Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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

March 8, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

LANCASTER COUNTY COURT
LINCOLN, 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	\$ 1,094,895	\$ 12,570,667	\$ 12,539,415	\$ 1,126,147
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 58,355	\$ 1,425,207	\$ 1,442,588	\$ 40,974
Law Enforcement Fees	5,712	158,283	159,275	4,720
State Judges Retirement Fund	19,652	509,750	514,124	15,278
Court Administrative Fees	34,731	1,018,803	1,022,460	31,074
Legal Services Fees	21,861	546,449	552,484	15,826
Due to County Treasurer:				
Regular Fines	49,090	1,397,566	1,410,540	36,116
Overload Fines	1,475	113,385	109,635	5,225
Regular Fees	9,935	145,159	140,399	14,695
Due to Municipalities:				
Regular Fines	94,644	2,620,109	2,639,843	74,910
Regular Fees	6,778	212,523	213,468	5,833
Trust Fund Payable	792,662	4,423,433	4,334,599	881,496
Total Liabilities	<u>\$ 1,094,895</u>	<u>\$ 12,570,667</u>	<u>\$ 12,539,415</u>	<u>\$ 1,126,147</u>

The accompanying notes are an integral part of the schedule.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2011

1. Criteria

A. Reporting Entity

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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.