

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

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Issued on April 3, 2012

OTOE COUNTY COURT

TABLE OF CONTENTS

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

OTOE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Otoe 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 to the State Treasurer that were over three years old as required by State statute.

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.

OTOE 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. 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.

As of June 30, 2011, we noted 6 of 16 case balances tested, totaling \$1,591, had been inactive in excess of three years. As of March 15, 2012, the County Court had not researched and/or paid these items over to the State Treasurer as unclaimed property.

There is an increased risk of loss, theft, or misuse when unclaimed property is not reported and remitted to the State Treasurer in accordance with the Unclaimed Property Act.

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

County Court's Response: We are actively working to follow up on all of the case balances noted.



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OTOE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

March 16, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

OTOE COUNTY COURT
NEBRASKA CITY, 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	\$ 188,417	\$ 956,309	\$ 985,344	\$ 159,382
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 12,948	\$ 120,830	\$ 121,977	\$ 11,801
Law Enforcement Fees	1,213	12,094	12,253	1,054
State Judges Retirement Fund	3,852	38,432	38,899	3,385
Court Administrative Fees	6,798	70,247	71,956	5,089
Legal Services Fees	4,210	41,565	42,131	3,644
Due to County Treasurer:				
Regular Fines	33,448	313,186	318,170	28,464
Overload Fines	13,706	83,744	83,502	13,948
Regular Fees	242	20,968	20,644	566
Due to Municipalities:				
Regular Fines	144	4,717	4,387	474
Regular Fees	-	341	341	-
Trust Fund Payable	111,856	250,185	271,084	90,957
Total Liabilities	\$ 188,417	\$ 956,309	\$ 985,344	\$ 159,382

The accompanying notes are an integral part of the schedule.

OTOE COUNTY COURT
NEBRASKA CITY, 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	\$ 178,088	\$ 953,099	\$ 942,770	\$ 188,417
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 12,074	\$ 129,082	\$ 128,208	\$ 12,948
Law Enforcement Fees	792	12,000	11,579	1,213
State Judges Retirement Fund	3,009	41,178	40,335	3,852
Court Administrative Fees	4,868	66,483	64,553	6,798
Legal Services Fees	3,942	45,419	45,151	4,210
Due to County Treasurer:				
Regular Fines	29,464	340,619	336,635	33,448
Overload Fines	3,075	46,058	35,427	13,706
Regular Fees	1,268	28,937	29,963	242
Due to Municipalities:				
Regular Fines	875	4,324	5,055	144
Regular Fees	20	521	541	-
Trust Fund Payable	<u>118,701</u>	<u>238,478</u>	<u>245,323</u>	<u>111,856</u>
Total Liabilities	<u>\$ 178,088</u>	<u>\$ 953,099</u>	<u>\$ 942,770</u>	<u>\$ 188,417</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Otoe 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 Otoe 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.