

**ATTESTATION REPORT
OF
PIERCE COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2011

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Issued on June 15, 2012

PIERCE COUNTY COURT

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PIERCE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Pierce County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and another operational matter 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. ***Report Review:*** Available financial reports were not reviewed by the County Court with corrective actions taken to resolve any issues noted.

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. The County Court declined to respond.

PIERCE 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. Report Review

Good internal control requires the County Court to have procedures in place which provide ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report and the weekly Overdue Case Account Report. In addition, sound accounting practices require procedures be in place to ensure the complete, accurate, and timely posting of defendant payments to their respective cases.

During testing of June 30, 2011, case balances, we noted two of three traffic case balances tested, totaling \$271, were not correctly applied, both related to payments in full on each of the defendants' respective cases. One payment of \$148 had been received in November 2010 and one payment of \$123 had been received in January 2011; however, these payments were not applied by the County Court to the defendants' fines and costs. As a result, in both cases, as of June 12, 2012, the defendants' drivers licenses had been suspended, in error.

Additionally, review of the June 9, 2012, Overdue Case Balance Report included one \$98 balance which was shown as being overdue; however, payment in full from the defendant had been made in March 2012 and, as of June 12, 2012, was not applied by the County Court to the defendant's fines and costs.

When the County Court's available financial reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities not being detected and/or resolved in a timely manner.

PIERCE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Report Review** (Concluded)

We strongly recommend the County Court perform ongoing, detailed, and timely review of all available financial reports, including the Monthly Case Balance Report and the Overdue Case Account Report, to promptly identify and resolve unattached and/or unusual balances/receipts.



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PIERCE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

June 12, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

PIERCE COUNTY COURT
PIERCE, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
ASSETS				
Cash and Deposits	\$ 21,240	\$ 250,691	\$ 244,870	\$ 27,061
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,255	\$ 41,088	\$ 41,226	\$ 3,117
Law Enforcement Fees	300	4,034	4,069	265
State Judges Retirement Fund	1,015	13,038	13,191	862
Court Administrative Fees	1,465	24,982	24,940	1,507
Legal Services Fees	1,072	13,804	13,980	896
Due to County Treasurer:				
Regular Fines	6,985	85,581	86,118	6,448
Overload Fines	275	14,375	12,150	2,500
Regular Fees	137	5,389	3,090	2,436
Due to Municipalities:				
Regular Fines	-	15	15	-
Trust Fund Payable	<u>6,736</u>	<u>48,385</u>	<u>46,091</u>	<u>9,030</u>
Total Liabilities	<u>\$ 21,240</u>	<u>\$ 250,691</u>	<u>\$ 244,870</u>	<u>\$ 27,061</u>

The accompanying notes are an integral part of the schedule.

PIERCE COUNTY COURT
PIERCE, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2010</u>
ASSETS				
Cash and Deposits	\$ 75,962	\$ 197,356	\$ 252,078	\$ 21,240
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,875	\$ 36,155	\$ 36,775	\$ 3,255
Law Enforcement Fees	309	3,231	3,240	300
State Judges Retirement Fund	1,235	11,796	12,016	1,015
Court Administrative Fees	1,639	20,132	20,306	1,465
Legal Services Fees	1,556	12,927	13,411	1,072
Due to County Treasurer:				
Regular Fines	7,820	81,142	81,977	6,985
Overload Fines	150	2,650	2,525	275
Regular Fees	134	4,589	4,586	137
Due to Municipalities:				
Regular Fines	-	50	50	-
Trust Fund Payable	<u>59,244</u>	<u>24,684</u>	<u>77,192</u>	<u>6,736</u>
Total Liabilities	<u>\$ 75,962</u>	<u>\$ 197,356</u>	<u>\$ 252,078</u>	<u>\$ 21,240</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Pierce 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 Pierce 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.