

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

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Issued on June 11, 2012

POLK COUNTY COURT

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POLK COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Polk 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. ***Amended Citations:*** The County Court did not consistently obtain adequate supporting documentation for amended citations.
4. ***Non-Monetary Receipt Documentation:*** Non-monetary receipts issued by the County Court lacked complete, accurate, and/or appropriate supporting documentation.

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.

POLK 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, three, totaling \$1,456, 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 \$15,289.

This comment was also noted in our prior examination.

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.

POLK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Amended Citations

Neb. Rev. Stat. § 60-682.01(1) (Reissue 2010) states:

“... (1) Any person who operates a vehicle in violation of any maximum speed limit established for any highway or freeway is guilty of a traffic infraction and upon conviction shall be fined ... (d) One hundred twenty-five dollars for traveling over fifteen miles per hour but not over twenty miles per hour over the authorized speed limit; (e) Two hundred dollars for traveling over twenty miles per hour but not over thirty-five miles per hour over the authorized speed limit.”

A good internal control plan would include procedures which ensure all assessed fines are completely and accurately documented and in agreement with court orders and/or citations.

For 1 of 15 receipts tested, the underlying citation had been amended to change the charge from speeding 21+ miles per hour (mph) with a \$200 fine to speeding 15-20 mph with a fine of \$125. The County Attorney explained to the auditors that he had likely amended the charge on this particular citation; however, he had not initialed/dated the amended citation. As a result, the APA was unable to determine who had initiated the citation amendment, resulting in the lower fine.

When all amounts collected by the County Court are not completely and accurately documented, there is an increased risk of loss, theft, or misuse of funds and potential for statutory noncompliance.

We recommend the County Court implement procedures to ensure all fines collected are completely and accurately documented. When court orders and/or citations are amended, we recommend all such amendments be adequately documented, including identification by the party responsible for initiating the amendment.

4. Non-Monetary Receipt Documentation

A good internal control plan requires consistent and adequate documentation of all issued receipts, including non-monetary receipts. Furthermore, sound accounting practices require all such receipts to be complete, accurate, and appropriate.

Two of 15 non-monetary receipts tested, totaling \$405, were not consistently documented. In one instance, both a monetary and a non-monetary receipt were issued for a five-dollar fee received by the County Court for issuance of a garnishment order. In the second instance, the County Court had not obtained documentation to support a \$400 jail credit issued by the Court.

POLK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Non-Monetary Receipt Documentation** (Concluded)

When non-monetary receipts are not consistently documented and/or appropriate for the case, there is an increased risk of error.

We recommend the County Court implement procedures to ensure all receipts, including non-monetary receipts, are completely, accurately, and appropriately supported.



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POLK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Polk 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 Polk 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 8, 201

Don Dunlap, CPA
Assistant Deputy Auditor

POLK COUNTY COURT
OSCEOLA, 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	\$ 22,736	\$ 113,963	\$ 119,978	\$ 16,721
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,035	\$ 17,676	\$ 18,170	\$ 1,541
Law Enforcement Fees	137	1,322	1,355	104
State Judges Retirement Fund	590	4,807	5,009	388
Court Administrative Fees	725	12,022	11,890	857
Legal Services Fees	639	5,337	5,530	446
Due to County Treasurer:				
Regular Fines	1,902	35,738	34,533	3,107
Overload Fines	225	1,475	1,375	325
Regular Fees	397	4,954	4,930	421
Trust Fund Payable	16,086	30,632	37,186	9,532
Total Liabilities	\$ 22,736	\$ 113,963	\$ 119,978	\$ 16,721

The accompanying notes are an integral part of the schedule.

POLK COUNTY COURT
OSCEOLA, 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	\$ 16,722	\$ 126,097	\$ 120,083	\$ 22,736
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,170	\$ 19,629	\$ 18,764	\$ 2,035
Law Enforcement Fees	74	1,268	1,205	137
State Judges Retirement Fund	359	5,495	5,264	590
Court Administrative Fees	529	12,336	12,140	725
Legal Services Fees	431	5,718	5,510	639
Due to County Treasurer:				
Regular Fines	3,458	34,814	36,370	1,902
Overload Fines	-	2,375	2,150	225
Regular Fees	194	3,488	3,285	397
Due to Municipalities:				
Regular Fines	-	245	245	-
Trust Fund Payable	<u>10,507</u>	<u>40,729</u>	<u>35,150</u>	<u>16,086</u>
Total Liabilities	<u>\$ 16,722</u>	<u>\$ 126,097</u>	<u>\$ 120,083</u>	<u>\$ 22,736</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Polk 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 Polk 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.