

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

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Issued on April 11, 2012

SCOTTS BLUFF COUNTY COURT

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SCOTTS BLUFF COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Scotts Bluff 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. *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.

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.

SCOTTS BLUFF 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.

County Court's Response: Scotts Bluff County Court has implemented the following procedures to insure that one individual is not capable of handling all phases of a transaction from beginning to end. These procedures have been discussed with and approved by the individual conducting our audit. They are as follows:

- 1. The accounting clerk is no longer allowed to issue monetary receipts.*
- 2. The clerk magistrate and the assistant clerk will alternate reconciling bank statements.*
- 3. The accounting clerk, the clerk magistrate and the assistant clerk will alternate balancing the cash drawers.*

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 15 overdue balances, 10, totaling \$10,624, 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 December 15, 2009, overdue balances, excluding restitution judgments, totaled \$436,101. As of March 17, 2012, overdue balances, excluding restitution judgments, totaled \$658,958; an increase of \$222,857, or 51%.

SCOTTS BLUFF COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Overdue Balances (Concluded)

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

County Court's Response: Scotts Bluff County Court does issue warrants for failure to pay. However, due to staff shortages resulting from illness and/or employee resignations, we have had to prioritize matters and therefore did not have sufficient time to review and pursue collection of overdue balances on a regular basis. Now that the court is at full staff, this duty has been assigned to the assistant clerk.



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SCOTTS BLUFF COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Scotts Bluff 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 Scotts Bluff 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 22, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

SCOTTS BLUFF COUNTY COURT
GERING, 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	\$ 193,379	\$ 1,560,352	\$ 1,531,008	\$ 222,723
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 17,908	\$ 198,930	\$ 198,068	\$ 18,770
Law Enforcement Fees	1,220	16,305	16,280	1,245
State Judges Retirement Fund	4,826	62,191	62,451	4,566
Court Administrative Fees	8,055	110,816	110,892	7,979
Legal Services Fees	5,306	62,828	63,053	5,081
Due to County Treasurer:				
Regular Fines	30,939	333,333	337,124	27,148
Overload Fines	1,925	35,192	36,517	600
Regular Fees	1,708	23,693	23,652	1,749
Due to Municipalities:				
Regular Fines	4,845	53,326	53,829	4,342
Regular Fees	306	5,488	5,476	318
Trust Fund Payable	<u>116,341</u>	<u>658,250</u>	<u>623,666</u>	<u>150,925</u>
Total Liabilities	<u>\$ 193,379</u>	<u>\$ 1,560,352</u>	<u>\$ 1,531,008</u>	<u>\$ 222,723</u>

The accompanying notes are an integral part of the schedule.

SCOTTS BLUFF COUNTY COURT
GERING, 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	\$ 490,253	\$ 1,565,117	\$ 1,861,991	\$ 193,379
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 20,717	\$ 208,639	\$ 211,448	\$ 17,908
Law Enforcement Fees	1,302	14,307	14,389	1,220
State Judges Retirement Fund	5,979	60,755	61,908	4,826
Court Administrative Fees	12,970	123,588	128,503	8,055
Legal Services Fees	6,198	61,835	62,727	5,306
Due to County Treasurer:				
Regular Fines	27,480	330,163	326,704	30,939
Overload Fines	2,050	21,256	21,381	1,925
Regular Fees	2,311	34,885	35,488	1,708
Due to Municipalities:				
Regular Fines	4,977	57,258	57,390	4,845
Regular Fees	663	8,590	8,947	306
Trust Fund Payable	<u>405,606</u>	<u>643,841</u>	<u>933,106</u>	<u>116,341</u>
Total Liabilities	<u>\$ 490,253</u>	<u>\$ 1,565,117</u>	<u>\$ 1,861,991</u>	<u>\$ 193,379</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Scotts Bluff 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 Scotts Bluff 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.