

**ATTESTATION REPORT
OF
DEUEL COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on March 21, 2013

DEUEL COUNTY COURT

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DEUEL COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Deuel 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. ***Unclaimed Property:*** The County Court did not report and remit trust balances to the State Treasurer that were over three years old in the timely manner 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.

DEUEL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation 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 consider this to be a material weakness.

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

The County Court's September 25, 2012, remittance of unclaimed property in its possession included one balance, totaling \$4, which should have been remitted no later than November 1, 2010, and twelve balances, totaling \$1,330, which should have been remitted no later than November 1, 2011.

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years as abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) provides any unclaimed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year.

We recommend the County Court work to promptly remit all unclaimed property in its possession in the timely manner prescribed in State statute.

County Court's Response: As new clerk magistrate of this office, I see the importance of submitting the Unclaimed Property report to the State Treasurer in the timely manner required by statute. I will handle this matter appropriately as expected.



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DEUEL COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Deuel County Court as of and for the fiscal years ended June 30, 2012, and June 30, 2011. 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 Deuel County Court as of June 30, 2012, and June 30, 2011, 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, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

February 20, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

DEUEL COUNTY COURT
CHAPPELL, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2011</u>			<u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 17,196	\$ 205,057	\$ 197,977	\$ 24,276
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,450	\$ 28,283	\$ 28,101	\$ 2,632
Law Enforcement Fees	367	3,827	3,843	351
State Judges Retirement Fund	1,030	11,189	11,177	1,042
Court Administrative Fees	1,572	14,532	14,844	1,260
Legal Services Fees	1,147	12,241	12,259	1,129
Due to County Treasurer:				
Regular Fines	7,010	85,493	85,796	6,707
Overload Fines	150	4,979	4,400	729
Regular Fees	38	5,303	5,221	120
Due to Municipalities:				
Regular Fines	20	125	145	-
Trust Fund Payable	<u>3,412</u>	<u>39,085</u>	<u>32,191</u>	<u>10,306</u>
Total Liabilities	<u>\$ 17,196</u>	<u>\$ 205,057</u>	<u>\$ 197,977</u>	<u>\$ 24,276</u>

The accompanying notes are an integral part of the schedule.

DEUEL COUNTY COURT
CHAPPELL, 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	\$ 18,475	\$ 165,839	\$ 167,118	\$ 17,196
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,629	\$ 22,872	\$ 22,051	\$ 2,450
Law Enforcement Fees	238	2,996	2,867	367
State Judges Retirement Fund	678	9,188	8,836	1,030
Court Administrative Fees	832	13,669	12,929	1,572
Legal Services Fees	774	9,933	9,560	1,147
Due to County Treasurer:				
Regular Fines	5,655	67,950	66,595	7,010
Overload Fines	450	6,125	6,425	150
Regular Fees	66	1,610	1,638	38
Due to Municipalities:				
Regular Fines	-	270	250	20
Trust Fund Payable	8,153	31,226	35,967	3,412
Total Liabilities	\$ 18,475	\$ 165,839	\$ 167,118	\$ 17,196

The accompanying notes are an integral part of the schedule.

DEUEL COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2012, and June 30, 2011

1. Criteria

A. Reporting Entity

The Deuel 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, including 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 Deuel 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 as 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.