

**ATTESTATION REPORT
OF
DUNDY COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on April 5, 2013

DUNDY COUNTY COURT

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DUNDY COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Dundy 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. *Daily Cash Drawer Balancing:*** The County Court did not balance its cash drawer daily as recommended by the Nebraska State Court Administrator.

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.

DUNDY 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.

County Court's Response: Due to cost of hiring additional staff, the Dundy County Court cannot comply with the recommended segregation of duties.

2. Daily Cash Drawer Balancing

We noted the office of the County Court did not consistently balance its cash drawer on a daily basis. Two of the three bank deposits tested, totaling \$2,418, consisted of cash drawer balancing for two-day periods.

The Daily Balancing Administrative Procedures Manual issued by the Nebraska State Court Administrator states, in part, "daily balancing of all cash drawers is the recommended policy." In addition, sound accounting practices and a good internal control plan require timely balancing of all cash drawers to safeguard assets against loss, promote operational efficiency, and ensure reliable accounting records.

When cash drawers are not balanced daily, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Court balance its cash drawer on a daily basis, as the balancing process is critical to maintaining control of the County Court's finances.

County Court's Response: Due to the low amount of funds receipted for by the Dundy County Court (sometimes less than \$10.00) I did not balance the cash drawer daily. (Funds were put in a safe place.) But since it is a requirement to balance the cash drawer each day, I will comply with the recommendation. There were times when I balanced the cash drawer; wrote out the deposit and did not push F11 and therefore more than one day's deposit would show up on the next day's daily deposit report.



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DUNDY COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

March 19, 2013

Pat Reding, CPA, CFE
Assistant Deputy Auditor

DUNDY COUNTY COURT
BENKELMAN, 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>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 13,091	\$ 103,415	\$ 97,612	\$ 18,894
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 999	\$ 14,561	\$ 14,268	\$ 1,292
Law Enforcement Fees	129	1,659	1,688	100
State Judges Retirement Fund	383	5,007	5,078	312
Court Administrative Fees	1,018	8,422	8,768	672
Legal Services Fees	430	5,570	5,662	338
Due to County Treasurer:				
Regular Fines	2,430	35,509	35,599	2,340
Overload Fines	1,165	7,106	8,046	225
Regular Fees	87	196	177	106
Due to Municipalities:				
Regular Fines	-	325	250	75
Trust Fund Payable	6,450	25,060	18,076	13,434
Total Liabilities	<u>\$ 13,091</u>	<u>\$ 103,415</u>	<u>\$ 97,612</u>	<u>\$ 18,894</u>

The accompanying notes are an integral part of the schedule.

DUNDY COUNTY COURT
BENKELMAN, 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	\$ 12,149	\$ 81,774	\$ 80,832	\$ 13,091
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 944	\$ 9,730	\$ 9,675	\$ 999
Law Enforcement Fees	95	1,153	1,119	129
State Judges Retirement Fund	340	3,730	3,687	383
Court Administrative Fees	514	7,582	7,078	1,018
Legal Services Fees	396	4,006	3,972	430
Due to County Treasurer:				
Regular Fines	1,498	24,789	23,857	2,430
Overload Fines	1,298	20,394	20,527	1,165
Regular Fees	-	742	655	87
Due to Municipalities:				
Regular Fines	25	150	175	-
Trust Fund Payable	7,039	9,498	10,087	6,450
Total Liabilities	\$ 12,149	\$ 81,774	\$ 80,832	\$ 13,091

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Dundy 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 Dundy 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.