

**ATTESTATION REPORT
OF
KEITH COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on March 4, 2013

KEITH COUNTY COURT

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KEITH COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Keith 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. *Monthly Report Review:*** The Monthly Case Balance Report was not reviewed by the County Court, with corrective action taken when necessary to resolve case 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.

KEITH 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: Unfortunately, this is an issue in nearly all courts in rural Nebraska. Keith County is making an attempt to remedy this situation by continued cross training with the Assistant Clerk on all financial reporting and reconciling; we began this process in late 2012. This will alleviate the capability of one individual handling all phases of a transaction from beginning to end.

2. Monthly Report Review

During testing of the County Court's June 30, 2011, and June 30, 2012, case balances, the following was noted:

- At June 30, 2011, one of five case balances tested, a \$675 defendant appearance bond, had the case subsequently dismissed in October 2012; however, the County Court did not attempt to refund the appearance bond to the defendant.
- At June 30, 2012, four of ten case balances tested did not have timely subsequent disposition by the County Court. These tested balances included:
 - Two criminal bonds, totaling \$5,400, which had Judgements of Forfeitures entered by the County Court Judge in June 2010; however, the County Court had taken no action to deduct costs and pay the bond balance to the Keith County Treasurer;

KEITH COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Monthly Report Review (Concluded)

- One criminal bond, totaling \$450, in which the case had been dismissed in June 2011; however, the County Court had made no attempt to refund the bond balance to the defendant; and
- One \$73 traffic case balance related to a defendant's April 2012 payment in full which had not been applied to the defendant's fines/costs due and, as a result, was shown as an overdue balance still due the County Court.

Neb. Rev. Stat. § 29-901 (Cum. Supp. 2012) regarding bail, requires statutory refund of bond deposits, less any applicable bond costs, to defendants upon performance of their appearance and full compliance with bond conditions. In addition, good internal control requires the County Court have procedures in place which provide ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report. In addition, sound accounting practices require procedures be in place which ensure the complete and accurate posting of defendant payments to their respective cases.

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

We strongly recommend the County Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

County Court's Response: There were a couple of incidents in which judgments were entered on traffic citations as well as judgments on forfeiture of bonds in which the monies were not adjusted over to the necessary accounts to properly resolve case balances. In addition, there was an issue with holding bond money on cases which were dismissed upon payment of court costs.

With respect to the bond money held on dismissed cases; I believe the explanation for this inaccuracy lies in the fact that we encountered a change in employees/duties during this time frame and were still in the training phase. Keith County Court is establishing a procedure for the Clerk Magistrate to review both the Monthly Case Balance Report and the Bonds Held Report at least once a month and the Assistant Clerk is to continue to review the Bonds Held Report at least once a month. I believe with these procedures in place we will be much more consistent in all financial transactions of the office.



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KEITH COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

February 13, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and Deposits	\$ 92,640	\$ 604,027	\$ 596,041	\$ 100,626
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 8,971	\$ 80,166	\$ 78,430	\$ 10,707
Law Enforcement Fees	943	8,414	8,679	678
State Judges Retirement Fund	2,959	25,535	26,478	2,016
Court Administrative Fees	8,290	56,466	60,628	4,128
Legal Services Fees	3,102	27,370	28,200	2,272
Due to County Treasurer:				
Regular Fines	18,030	190,782	190,416	18,396
Overload Fines	1,175	6,600	6,950	825
Regular Fees	1,015	14,745	15,262	498
Due to Municipalities:				
Regular Fines	75	4,691	4,191	575
Trust Fund Payable	48,080	189,258	176,807	60,531
Total Liabilities	\$ 92,640	\$ 604,027	\$ 596,041	\$ 100,626

The accompanying notes are an integral part of the schedule.

KEITH COUNTY COURT
OGALLALA, 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	\$ 78,651	\$ 658,546	\$ 644,557	\$ 92,640
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,758	\$ 88,122	\$ 86,909	\$ 8,971
Law Enforcement Fees	814	9,216	9,087	943
State Judges Retirement Fund	2,593	28,076	27,710	2,959
Court Administrative Fees	6,940	61,902	60,552	8,290
Legal Services Fees	2,790	30,235	29,923	3,102
Due to County Treasurer:				
Regular Fines	21,629	212,036	215,635	18,030
Overload Fines	575	6,050	5,450	1,175
Regular Fees	542	14,442	13,969	1,015
Due to Municipalities:				
Regular Fines	-	1,741	1,666	75
Trust Fund Payable	<u>35,010</u>	<u>206,726</u>	<u>193,656</u>	<u>48,080</u>
Total Liabilities	<u>\$ 78,651</u>	<u>\$ 658,546</u>	<u>\$ 644,557</u>	<u>\$ 92,640</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Keith 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 Keith 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.