

**ATTESTATION REPORT
OF
MADISON COUNTY COURT
JULY 1, 2011 THROUGH JUNE 30, 2013**

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Issued on May 30, 2014

MADISON COUNTY COURT

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MADISON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Madison County Court, we noted certain deficiencies and other operational matters that are presented here.

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:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Deposit Coverage:*** County Court deposits were not fully secured during the entire audit period. The balance in unsecured deposits was, at its maximum, \$176,174.

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 management with an opportunity to review the report and to respond to the comments and recommendations included in this report. The County Court declined to respond.

MADISON 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 a 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 lacked a segregation of duties. Specifically, 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. Deposit Coverage

Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) states,

No deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.

During the audit period, the County Court had a total of 29 business days in which its deposits were not fully insured by FDIC and/or additional pledged securities. At the maximum, the amount of uninsured deposits total \$176,174. When deposits are not fully protected at all times, there is an increased risk of loss of funds.

We recommend the County Court implement procedures to ensure there is sufficient FDIC and/or pledged collateral for all bank deposits at all times.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

MADISON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Madison County Court as of and for the fiscal years ended June 30, 2013, and June 30, 2012. 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 the Madison County Court, as of June 30, 2013, and June 30, 2012, 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 are also required to obtain the views of management on those matters. 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 it 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.

May 1, 2014


Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and Deposits	\$ 142,443	\$ 1,458,728	\$ 1,459,814	\$ 141,357
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,381	\$ 170,429	\$ 172,180	\$ 11,630
Law Enforcement Fees	1,214	15,599	15,714	1,099
State Judges Retirement Fund	4,073	52,547	52,835	3,785
Court Administrative Fees	6,639	92,369	92,276	6,732
Legal Services Fees	4,326	55,274	55,541	4,059
Due to County Treasurer:				
Regular Fines	27,900	361,732	361,211	28,421
Overload Fines	1,450	20,798	20,948	1,300
Regular Fees	507	24,242	23,568	1,181
Petty Cash Fund	250	-	-	250
Due to Municipalities:				
Regular Fines	7,638	92,017	94,019	5,636
Regular Fees	734	8,646	8,837	543
Trust Fund Payable	74,331	565,075	562,685	76,721
Total Liabilities	\$ 142,443	\$ 1,458,728	\$ 1,459,814	\$ 141,357

The accompanying notes are an integral part of the schedule.

MADISON COUNTY COURT
MADISON, 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	\$ 181,178	\$ 1,596,156	\$ 1,634,891	\$ 142,443
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,772	\$ 186,893	\$ 187,284	\$ 13,381
Law Enforcement Fees	1,353	17,005	17,144	1,214
State Judges Retirement Fund	4,489	56,491	56,907	4,073
Court Administrative Fees	7,921	100,807	102,089	6,639
Legal Services Fees	4,677	59,220	59,571	4,326
Due to County Treasurer:				
Regular Fines	30,050	373,879	376,029	27,900
Overload Fines	1,475	24,427	24,452	1,450
Regular Fees	514	27,432	27,439	507
Petty Cash Fund	-	250	-	250
Due to Municipalities:				
Regular Fines	10,568	114,580	117,510	7,638
Regular Fees	661	10,671	10,598	734
Trust Fund Payable	105,698	624,501	655,868	74,331
Total Liabilities	\$ 181,178	\$ 1,596,156	\$ 1,634,891	\$ 142,443

The accompanying notes are an integral part of the schedule.

MADISON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2013, and June 30, 2012

1. Criteria

A. Reporting Entity

The Madison 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 Madison 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.