

**AUDIT REPORT  
OF  
BANNER COUNTY COURT**

**JULY 1, 2000 THROUGH JUNE 30, 2001**

# BANNER COUNTY COURT

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<b><u>Financial Section</u></b>	
Independent Auditors' Report	4 - 5
Financial Statement:	
Statement of Changes in Assets and Liabilities - Agency Funds - For the Fiscal Year Ended June 30, 2001	6
Notes to Financial Statement	7
<b><u>Government Auditing Standards Section</u></b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	8 - 9

# BANNER COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of the Banner County Court, we noted certain matters involving the internal control over financial reporting 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 areas as follows:

1. ***Segregation of Duties:*** One individual was capable of handling all aspects of processing transactions from beginning to end.
2. ***Checks on Hand Not Receipted or Restrictively Endorsed:*** Checks on hand at cash count were not receipted or restrictively endorsed.
3. ***Overdue Balances:*** Warrants and/or suspensions were not being issued in a timely manner on overdue case balances.
4. ***Emergency Receipts:*** Two instances were noted in which both the original and duplicate receipts were torn from an emergency receipt book.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the Court.

Draft copies of this report were furnished to the Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Court declined to respond.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# BANNER 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 since one person was capable of handling all aspects of processing transactions from beginning to end. However, due to a limited number of personnel, an adequate segregation of duties is not possible without additional cost. Personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous audits.

We recommend the County Court along with 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. **Checks on Hand Not Receipted or Restrictively Endorsed**

Sound accounting practice requires the immediate receipt of all monies received. In addition, good internal control requires all checks received be restrictively endorsed immediately upon receipt. When checks are not immediately receipted and restrictively endorsed there is an increased risk of loss, theft, or misuse of those monies.

At the time of a surprise cash count, the Court had three checks, totaling \$69, which had not been receipted into the Court's financial system. Furthermore, two of the three checks had not been restrictively endorsed.

We recommend all monies received by the Court be promptly receipted and restrictively endorsed.

### 3. **Overdue Balances**

Good internal control and sound business practices require overdue balances of the Court be reviewed on a regular basis to determine what action should be taken to collect on those accounts. Without a regular review of overdue cases, there is an increased risk a case listed as outstanding will either not have proper action taken or that the amount outstanding may have been previously paid.

# BANNER COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 3. **Overdue Balances** (Concluded)

Two of ten overdue case balances tested did not have subsequent action taken by the Court to ensure collection and/or resolution of the balance, such as the issuance of a warrant and/or the suspension of a license. Furthermore, the Court was not reviewing the Overdue Case Account report which lists, by case number, those balances which are overdue. As of December 29, 2001, the Court had a total of \$4,599 in overdue case balances.

We recommend the Court review overdue balances on a regular basis to determine what action needs to be taken to resolve the accounts.

### 4. **Emergency Receipts**

Sound accounting practices require whenever a manual receipt book is used the duplicate or carbon copy be retained in the receipt book for subsequent inspection. When both original and duplicate receipts are removed accountability is lost.

The Court Administrator's Office has issued emergency receipt books for Courts to use on an emergency basis. Whenever an emergency receipt is used it must subsequently be receipted into the computerized Justice system. During our review of the Court's emergency receipt book, two instances were observed in which both the original and carbon copy of the receipts had been torn from the bound emergency receipt book. If a receipt needs to be voided it should be marked void and both copies retained for subsequent inspection or, if the Court or a customer needs an extra receipt copy, a photocopy of the original should be used.

We recommend carbon receipt copies never be removed from emergency receipt books, the duplicate must be retained to provide an accurate account of the Court's financial activity.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

Mr. Joseph C. Steele  
State Court Administrator  
Room 1220 - State Capitol Building  
Lincoln, Nebraska 68509

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

### BANNER COUNTY COURT

#### INDEPENDENT AUDITORS' REPORT

Don Dunlap, CPA  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

Tim Channer, CPA  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Horz, JD  
Legal Counsel  
[robhorz@mail.state.ne.us](mailto:robhorz@mail.state.ne.us)

We have audited the financial statement of Banner County Court as of and for the fiscal year ended June 30, 2001, as listed in the Table of Contents. The financial statement is the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and is not intended to present fairly the financial position and results of operations of Banner County Court in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Banner County Court as of June 30, 2001, and the related activity for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 29, 2002, on our consideration of Banner County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

January 29, 2002

A handwritten signature in cursive script that reads "Deann Hayfner CPA". The signature is written in dark ink and is positioned above the printed title "Deputy State Auditor".

Deputy State Auditor

BANNER COUNTY COURT  
HARRISBURG, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2001

	Balance July 1, 2000	Additions	Deductions	Balance June 30, 2001
<b>ASSETS</b>				
Cash and Deposits	\$ 12,970	\$ 94,738	\$ 92,890	\$ 14,818
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,728	\$ 14,056	\$ 13,957	\$ 1,827
Law Enforcement Fees	192	1,477	1,472	197
State Judges Retirement Fund	96	780	774	102
Automation Fees	3	6	9	-
Legal Services Fees	190	1,482	1,474	198
Due to County Treasurer:				
Regular Fines	9,648	69,328	68,348	10,628
Overload Fines	275	2,625	2,325	575
Regular Fees	3	193	196	-
Due to Municipalities:				
Regular Fees	-	50	50	-
Trust Fund Benefits Payable	835	4,741	4,285	1,291
<b>Total Liabilities</b>	<b>\$ 12,970</b>	<b>\$ 94,738</b>	<b>\$ 92,890</b>	<b>\$ 14,818</b>

The accompanying notes are an integral part of the financial statement.



**BANNER COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
For the Year Ended June 30, 2001

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Banner 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 Statement of Changes in Assets and Liabilities of the County Court reflects only the Agency Funds activity of the Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The financial statement does not reflect the personal services expenses of the Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Banner County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Statement of Changes in Assets and Liabilities has been prepared, on the modified accrual basis of accounting. Under this basis 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 because they are generally not measurable until actually 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. Section 25-2713 R.R.S. 1995. Funds are generally consolidated in an interest-bearing checking account; however, the 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. Section 77-2326.04 R.S.Supp., 2001 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The June 30, 2001, carrying amount of total deposits, which includes checking accounts, was \$14,818. The bank balance was \$14,592. All funds were entirely covered by federal depository insurance.

# STATE OF NEBRASKA

## AUDITOR OF PUBLIC ACCOUNTS

---



P.O. Box 98917  
State Capitol, Suite 2303  
Lincoln, NE 68509  
402-471-2111, FAX 402-471-3301  
[www.auditors.state.ne.us](http://www.auditors.state.ne.us)

Kate Witek  
State Auditor  
[kwitek@mail.state.ne.us](mailto:kwitek@mail.state.ne.us)

### BANNER COUNTY COURT

#### **REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Deann Haeffner, CPA  
Deputy State Auditor  
[haeffner@mail.state.ne.us](mailto:haeffner@mail.state.ne.us)

Don Dunlap, CPA  
Asst. Deputy Auditor  
[ddunlap@mail.state.ne.us](mailto:ddunlap@mail.state.ne.us)

Pat Reding, CPA  
Asst. Deputy Auditor  
[reding@mail.state.ne.us](mailto:reding@mail.state.ne.us)

Tim Channer, CPA  
Asst. Deputy Auditor  
[channer@mail.state.ne.us](mailto:channer@mail.state.ne.us)

Mary Avery  
SAE/Finance Manager  
[MaryJAvery@aol.com](mailto:MaryJAvery@aol.com)

Dennis Meyer  
Budget Coordinator  
[dmeyer@mail.state.ne.us](mailto:dmeyer@mail.state.ne.us)

Mark Avery  
Subdivision Audit  
Review Coordinator  
[mavery@mail.state.ne.us](mailto:mavery@mail.state.ne.us)

Robert Hotz, JD  
Legal Counsel  
[robhotz@mail.state.ne.us](mailto:robhotz@mail.state.ne.us)

We have audited the financial statement of Banner County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated January 29, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Banner County Court. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether Banner County Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Banner County Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable

condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Banner County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Segregation of Duties).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness. We also noted other matters involving internal control over financial reporting that we have reported to management of the Banner County Court in the Comments Section of the report as Comment Number 2 (Checks on Hand Not Receipted or Restrictively Endorsed), Comment Number 3 (Overdue Balances), and Comment Number 4 (Emergency Receipts).

This report is intended solely for the information and use of the Court, the appropriate Federal and regulatory agencies, and citizens of the State of Nebraska, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink, reading "Deann Hayffner CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

January 29, 2002