

**AUDIT REPORT
OF
BOX BUTTE COUNTY COURT
JULY 1, 2000 THROUGH JUNE 30, 2001**

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BOX BUTTE COUNTY COURT

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BOX BUTTE COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Box Butte 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. ***Deposits Not Fully Insured:*** Court deposits were not fully insured against bank failure.
3. ***Unclaimed Property:*** Five trust balances, totaling \$605, had been outstanding for over three years.
4. ***Overdue Balances:*** Warrants or suspensions were not being issued in a timely manner on overdue case balances.
5. ***Restrictive Endorsement of Checks:*** Four of nine checks on hand, totaling \$1,046, were not restrictively endorsed immediately upon receipt.

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.

BOX BUTTE 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. Deposits Not Fully Insured

Neb. Rev. Stat. Section 77-2326.04 R.S.Supp., 2001 requires that any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC) be secured by either a surety bond or as provided in the Public Funds Deposit Security Act. When deposits are not fully insured, the risk of loss increases.

Review of the County Court's bank statements noted numerous times throughout the audit period, as well as at June 30, 2001, the Court had deposits in excess of FDIC coverage with no additional securities. Deposits exceeded coverage by as much as \$38,641.

We recommend the County Court actively monitor deposit balances and obtain additional securities, as necessary, to ensure the Court's deposits are fully insured at all times.

3. Unclaimed Property

Neb. Rev. Stat. Section 25-2717 R.R.S. 1995 requires the County Judge to notify the State Treasurer regarding any fees, money, or costs due or belonging to persons which have not been paid or demanded within three years from the date the funds were paid to the county court, and, at the direction of the State Treasurer, to remit such funds to the State Treasurer for deposit pursuant to the Uniform Disposition of Unclaimed Property Act.

BOX BUTTE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

3. **Unclaimed Property** (Concluded)

As of June 30, 2001, the County Court had five trust balances, totaling \$605, which did not have any activity in the previous three years.

We recommend the County Court review its trust balances and remit, as necessary, those balances as required by the Uniform Disposition of Unclaimed Property Act.

4. **Overdue Balances**

Good internal control and sound business practice requires overdue balances of the County 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 previously been paid.

Six of fifteen overdue case balances tested did not have warrants or suspensions issued by the County Court to ensure collection or resolution of the outstanding balances. As of April 13, 2002, \$57,866 in overdue case amounts were due to the County Court.

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

5. **Restrictive Endorsement of Checks**

Good internal control requires checks be restrictively endorsed immediately upon receipt. The practice of holding checks unendorsed increases the risk of loss, theft, or misuse of Court funds.

During a surprise cash count, we noted four of nine checks on hand, totaling \$1,046, were not restrictively endorsed.

We recommend all checks be restrictively endorsed immediately upon receipt.

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BOX BUTTE COUNTY COURT

INDEPENDENT AUDITORS' REPORT

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We have audited the financial statement of Box Butte 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.

Tim Channer, CPA
Asst. Deputy Auditor
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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.

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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 Box Butte County Court in conformity with generally accepted accounting principles.

Robert Hotz, JD
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In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Box Butte 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 April 17, 2002, on our consideration of Box Butte 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.

April 17, 2002

A handwritten signature in dark ink, reading "Dawn Hayfman CPA". The signature is written in a cursive, flowing style. The letters "CPA" are written in a slightly more formal, blocky font at the end of the signature.

Deputy State Auditor

BOX BUTTE COUNTY COURT
ALLIANCE, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2001

	Balance <u>July 1, 2000</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2001</u>
ASSETS				
Cash and Deposits	<u>\$ 119,064</u>	<u>\$ 455,043</u>	<u>\$ 498,264</u>	<u>\$ 75,843</u>
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,639	\$ 66,587	\$ 73,225	\$ 1,001
Law Enforcement Fees	476	3,938	4,414	-
Interest	215	1,282	1,465	32
State Judges Retirement Fund	324	2,935	3,190	69
Automation Fees	18	45	63	-
Legal Services Fees	498	4,163	4,645	16
Due to County Treasurer:				
Regular Fines	18,013	176,979	194,972	20
Overload Fines	-	2,975	2,975	-
Regular Fees	497	6,340	6,837	-
Due to Municipalities:				
Regular Fines	430	4,222	4,652	-
Trust Fund Benefits Payable	<u>90,954</u>	<u>185,577</u>	<u>201,826</u>	<u>74,705</u>
Total Liabilities	<u>\$ 119,064</u>	<u>\$ 455,043</u>	<u>\$ 498,264</u>	<u>\$ 75,843</u>

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

BOX BUTTE COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Year Ended June 30, 2001

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Box Butte 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 Box Butte 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 carrying amounts and bank balances of total deposits, consisting of checking accounts and a savings account, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2001	\$ 75,843	\$ 100	\$ 75,743	\$ 102,825

However, funds were not entirely covered by federal depository insurance during the entire year.

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BOX BUTTE 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

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We have audited the financial statement of Box Butte County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated April 17, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Box Butte 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 Box Butte 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. We noted certain immaterial instances of noncompliance that we have reported to management of Box Butte County Court in the Comments Section of this report as Comment Number 2 (Deposits Not Fully Insured) and Comment Number 3 (Unclaimed Property).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Box Butte 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 Box Butte 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 Box Butte County Court in the Comments Section of the report as Comment Number 4 (Overdue Balances) and Comment Number 5 (Restrictive Endorsement of Checks).

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. The letters "CPA" are written in a slightly more upright, blocky font at the end of the signature.

Deputy State Auditor

April 17, 2002