

**AUDIT REPORT
OF
DAWSON COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

DAWSON COUNTY COURT

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DAWSON COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Dawson 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. ***Unrecorded Investment Activity:*** \$70,287 in receipts and \$78,246 in disbursements were not recorded in the JUSTICE computerized financial system.
3. ***Emergency Receipts:*** Several instances were noted in which both the original and duplicate receipts were torn from the 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.

DAWSON 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. Unrecorded Investment Activity

Sound accounting practices require that monies received related to investments, be reflected in the Court's financial records.

During the fiscal year ended June 30, 2001, the Court received and deposited \$70,287 in receipts related to condemnation and probate case investments, both of which were held in the name of the Court. These receipts, as well as \$7,959 in investment balances at the beginning of the fiscal year, were not recorded on the JUSTICE computerized financial and case management system. Furthermore, the subsequent disbursement of these receipts and balances, totaling \$78,246, were also not recorded on the JUSTICE system.

We recommend all monies received by the Court be reflected in the financial system in a timely manner.

3. Emergency Receipts

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

DAWSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

3. **Emergency Receipts** (Concluded)

The Court Administrator's Office has issued emergency receipt books to courts for use on an emergency basis. Whenever an emergency receipt is used, it must subsequently be receipted into the computerized JUSTICE financial system. During our review of the Court's emergency receipt books, seven instances were observed in which both the original and duplicate receipts had been torn from a bound emergency receipt book.

We recommend, at a minimum, duplicate receipts never be removed from emergency receipt books. If the Court or a customer needs another receipt copy, a photocopy of the original should be used. In all instances 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

Kate Witek
State Auditor
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

DAWSON COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

We have audited the financial statement of Dawson 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 Dawson 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 Dawson 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 February 27, 2002, on our consideration of Dawson 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.

A handwritten signature in dark ink, reading "Deann Hagffner CPA". The signature is written in a cursive style with a clear, legible font.

Deputy State Auditor

February 27, 2002

DAWSON COUNTY COURT
LEXINGTON, 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 |
|------------------------------|-------------------------|--------------|--------------|--------------------------|
| ASSETS | | | | |
| Cash and Deposits | \$ 118,860 | \$ 1,253,186 | \$ 1,285,856 | \$ 86,190 |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 15,762 | \$ 169,396 | \$ 169,382 | \$ 15,776 |
| Law Enforcement Fees | 962 | 9,780 | 9,837 | 905 |
| Interest | 139 | 2,169 | 2,196 | 112 |
| State Judges Retirement Fund | 993 | 8,343 | 8,423 | 913 |
| Automation Fees | - | 33 | 30 | 3 |
| Legal Services Fees | 1,053 | 10,824 | 10,795 | 1,082 |
| Due to County Treasurer: | | | | |
| Regular Fines | 37,849 | 343,869 | 354,676 | 27,042 |
| Overload Fines | 350 | 8,200 | 7,475 | 1,075 |
| Regular Fees | 1,368 | 59,737 | 56,847 | 4,258 |
| Due to Municipalities: | | | | |
| Regular Fines | 305 | 3,223 | 3,368 | 160 |
| Regular Fees | 201 | 2,948 | 2,974 | 175 |
| Trust Fund Benefits Payable | 59,878 | 634,664 | 659,853 | 34,689 |
| Total Liabilities | \$ 118,860 | \$ 1,253,186 | \$ 1,285,856 | \$ 86,190 |

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Dawson 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 Dawson 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 consists of a checking account, was \$86,190. The bank balance was \$93,727. All funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank or a bank or trust company in this State other than the depository bank.

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

Kate Witek
State Auditor
kwitek@mail.state.ne.us

DAWSON 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

Don Dunlap, CPA
Asst. Deputy Auditor
ddunlap@mail.state.ne.us

Pat Reding, CPA
Asst. Deputy Auditor
reding@mail.state.ne.us

Tim Channer, CPA
Asst. Deputy Auditor
channer@mail.state.ne.us

Mary Avery
SAE/Finance Manager
MaryJAvery@aol.com

Dennis Meyer
Budget Coordinator
dmeyer@mail.state.ne.us

Mark Avery
Subdivision Audit
Review Coordinator
mavery@mail.state.ne.us

Robert Hotz, JD
Legal Counsel
robhotz@mail.state.ne.us

We have audited the financial statement of Dawson County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated February 27, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Dawson 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 Dawson 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 Dawson 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable

conditions. 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 Dawson County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Segregation of Duties), and Comment Number 2 (Unrecorded Investment Activity).

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, of the reportable conditions described above, we consider comment numbers 1 and 2 to be material weaknesses. We also noted other matters involving internal control over financial reporting that we have reported to management of the Dawson County Court in the Comments Section of the report as Comment Number 3 (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 that reads "Deann Hayfman CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

February 27, 2002