

**AUDIT REPORT
OF
GRANT COUNTY COURT**

JULY 1, 2000 THROUGH JUNE 30, 2001

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

GRANT COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
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
<u>Government Auditing Standards Section</u>	
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

GRANT COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Grant 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. ***Court Costs:*** Prosecutors were not billed for court costs on dismissed or otherwise uncollectible cases.
3. ***Deposits Not Fully Insured:*** Deposits were not fully insured against bank failure.

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. All formal responses received have been incorporated into this report. Where no response has been included, the Court declined to respond. 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 audit.

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

GRANT 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. Court Costs

Neb. Rev. Stat. Section 29-2709, R.S. Supp., 2001, states, "When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 and section 33-107.01, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived unless the judge, in his or her discretion, enters an order assessing such portion of the costs as by law would be paid over by the court to the State Treasurer as follows: (1) In all cases brought by or with the consent of the county attorney, all such uncollectible costs shall be certified by the clerk of the court to the county clerk who shall present the bills therefor to the county board. The county board shall pay from the county general fund all such bills found by the board to be lawful; and (2) In all cases brought under city or village ordinance, all such uncollectible costs shall be certified to the appropriate city or village officer authorized to receive claims who shall present the bills therefor to the governing body of the city or village in the same manner as other claims. Such governing body shall pay from the general fund of the city or village all such bills as are found to be lawful." For reference, Neb. Rev. Stat. Section 33-107.01 R.R.S. 1998 establishes the legal services fee. In addition, Neb. Rev. Stat. Section 24-703(3) R.S.Supp., 2001, which addresses the funding of the judges retirement system, states, "No Nebraska Retirement Fund for Judges fee which is uncollectible for any reason shall be waived by a county judge as provided in section 29-2709."

GRANT COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. Court Costs (Concluded)

The County Court was not billing prosecutors for uncollectible court costs. This included costs relating to Sections 24-703 and 33-107.01, and costs ordered by a county judge to be assessed and paid to the State Treasurer.

We recommend the County Court begin to bill prosecutors for uncollectible court costs to comply with Statute.

3. Deposits Not Fully Insured

Neb. Rev. Stat. Section 77-2326.04 R.S.Supp., 2001 requires 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.

The County Court's bank statements noted that during the audit period, the County Court had deposits in excess of FDIC coverage with no additional securities. At June 30, 2001, the County Court's deposits exceeded coverage by \$4,176. When deposits are not fully secured, the risk of loss increases.

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.

County Court's Response: When we became aware that the court was to receive a deposit of funds in excess of \$100,000.00, we immediately contacted the Community First National Bank, where the funds were to be deposited. I requested that the Court receive, in writing, confirmation that the funds were covered. Nancy Stevens, branch manager at the facility, assured me that the funds would be covered immediately upon deposit. She sent me a memo stating that "Julie, I have enclosed copies of the pledged securities. The originals are with the Grant County Treasurer. I advised these were to cover funds for the court. Please call should you have any questions. Nancy". (Emphasis supplied). Attached to that memo were documents that referred to the date of deposit and pledge, which were also made available to the auditor.

Apparently there was some confusion regarding the pledges within the bank. Since talking with the auditor, it is my understanding that the bank didn't understand that the Grant County Court is not a county office and therefore not covered under the pledged securities they referred to. I had no reason to believe that the pledged securities covered anything other than what I requested from the 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

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

GRANT 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

We have audited the financial statement of Grant 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
channer@mail.state.ne.us

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.

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

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 Grant County Court in conformity with generally accepted accounting principles.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Grant 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 23, 2002, on our consideration of Grant 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 23, 2002

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

Deputy State Auditor

GRANT COUNTY COURT
HYANNIS, 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	\$ 223	\$ 134,586	\$ 29,468	\$ 105,341
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 6,791	\$ 6,425	\$ 366
Law Enforcement Fees	-	410	392	18
State Judges Retirement Fund	-	302	292	10
Legal Services Fees	-	416	398	18
Due to County Treasurer:				
Regular Fines	-	20,474	19,749	725
Overload Fines	-	200	200	-
Regular Fees	-	131	131	-
Trust Fund Benefits Payable	<u>223</u>	<u>105,862</u>	<u>1,881</u>	<u>104,204</u>
Total Liabilities	<u>\$ 223</u>	<u>\$ 134,586</u>	<u>\$ 29,468</u>	<u>\$ 105,341</u>

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Grant 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 Grant 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 and a certificate of deposit, was \$105,341. The bank balance was \$106,218. All funds were not 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

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

GRANT 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 Grant County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated April 23, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Grant 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 Grant 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 Grant County Court in the Comments Section of this report as Comment Number 2 (Court Costs) and Comment Number 3 (Deposits Not Fully Insured).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Grant 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 Grant 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.

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 Hauffman CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

April 23, 2002