

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

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SIOUX COUNTY COURT

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SIoux COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the Sioux 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. ***Accounting Errors and Trust Balance Documentation:*** Uncorrected bookkeeping errors were noted in the Court's JUSTICE account. Additionally, no documentation was available to support the trust balances of the Court.
3. ***Court Costs:*** Prosecutors were not billed for court costs on dismissed or otherwise uncollectible cases.
4. ***Unclaimed Property:*** Unclaimed Property was incorrectly remitted to the State Treasurer as part of the Court's remittance of "State fees."
5. ***Overdue Case Balances:*** Warrants, suspensions, or other actions were not made in a timely manner on overdue balances.

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.

SIOUX 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. Accounting Errors and Trust Balance Documentation

Sound accounting practice requires procedures be in place to ensure office records agree to bank activity on at least a monthly basis. Reconciliation procedures must include the identification and resolution of all variances. Sound accounting practice also requires sufficient documentation be retained to support liability balances.

During our audit, we noted the following:

- At June 30, 2001, the County Court had a total of \$49 in uncorrected bookkeeping errors in its JUSTICE account. The origination of these errors dated back as far as August 2000.
- JUSTICE monthly trust reports, which support the trust fund balances of the Court (e.g., case balance reports and non-case receipt reports) could not be located during audit fieldwork. It appears the Court either did not receive or did not retain these detailed reports.
- The JUSTICE Statement of Cash Position for the fiscal year ended June 30, 2001 was not filed with the Nebraska Auditor of Public Accounts. This report identifies the dollar amount of activity for each Court and is used in the preparation of the State of Nebraska's Comprehensive Annual Financial Report (CAFR). This report was not generated by the County Court because the accounting records were not balanced at fiscal year end.

SIoux COUNTY COURT

COMMENTS AND RECOMMENDATIONS

2. Accounting Errors and Trust Balance Documentation (Concluded)

We recommend the County Court make all corrections necessary to resolve the noted bookkeeping errors. Furthermore, we recommend the prompt investigation and resolution of all variances that exist between the Court's bank and accounting records. Lastly, we recommend the Court retain copies of all month-end balancing JUSTICE reports, including all trust reports, in order to fully support the liability balances.

3. 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."

The Court historically has not billed prosecutors for uncollectible court costs. This included costs relating to Section 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.

SIOUX COUNTY COURT

COMMENTS AND RECOMMENDATIONS

4. **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 Unclaimed Property Act.

The County Court remitted \$13 of unclaimed property to the State Treasurer as “State fees.” Those funds should have been identified separately in the remittance to the State Treasurer as unclaimed property of the Court.

We recommend the County Court work with the Court Administrator’s Office to rectify this unclaimed property remittance error.

5. **Overdue Case Balances**

Good internal control and sound business practice requires overdue balances of the Court be reviewed on a regular basis to determine what action should be taken to collect on those accounts.

Three of four overdue balances tested, totaling \$781, did not have appropriate action taken to either collect on or clear those accounts. Two of the three balances needed to have warrants or suspensions issued due to the defendants’ failure to pay. The remaining balance needed to be waived because the balance was not actually due the County Court; the case was transferred to another state.

We recommend the County Court implement procedures to review the listing of overdue balances to ensure the balances are actually due the Court, and to ensure warrants or suspensions have been issued on individuals owing money to the Court.

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SIOUX COUNTY COURT

INDEPENDENT AUDITORS' REPORT

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We have audited the financial statement of Sioux 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 Sioux 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 Sioux 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 10, 2002, on our consideration of Sioux 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 10, 2002

A handwritten signature in cursive script that reads "Deann Hayffner CPA". The signature is written in dark ink and is positioned above the printed name.

Deputy State Auditor

SIOUX COUNTY COURT
HARRISON, 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	\$ 3,276	\$ 21,589	\$ 24,125	\$ 740
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 420	\$ 6,092	\$ 6,509	\$ 3
Law Enforcement Fees	30	288	318	-
Interest	5	82	87	-
State Judges Retirement Fund	51	173	224	-
Legal Services Fees	32	306	338	-
Due to County Treasurer:				
Regular Fines	1,354	13,058	14,412	-
Overload Fines	-	1,500	1,500	-
Regular Fees	-	75	75	-
Trust Fund Benefits Payable	1,384	15	662	737
Total Liabilities	\$ 3,276	\$ 21,589	\$ 24,125	\$ 740

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

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

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Sioux 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 Sioux 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 \$740. The bank balance was \$2,881. All funds were entirely covered by federal depository insurance.

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SIoux 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 Sioux County Court as of and for the year ended June 30, 2001, and have issued our report thereon dated April 10, 2002. The report was modified to emphasize that the financial statement presents only the Agency Funds of Sioux 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 Sioux 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 Sioux County Court in the Comments Section of this report as Comment Number 3 (Court Costs) and Comment Number 4 (Unclaimed Property).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sioux 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 Sioux County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. The 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 Sioux County Court in the Comments Section of the report as Comment Number 2 (Accounting Errors and Trust Balance Documentation) and Comment Number 5 (Overdue Case Balances).

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 Haefliger CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly more formal, blocky style at the end.

Deputy State Auditor

April 10, 2002