

**AUDIT REPORT  
OF  
VALLEY COUNTY COURT**

**JULY 1, 2001 THROUGH JUNE 30, 2002**

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# VALLEY COUNTY COURT

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# VALLEY COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Valley 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 phases of a transaction from beginning to end.
2. ***Non-waiverable Court Costs:*** The County Court was inconsistent in its waiving and/or claiming of costs on dismissed or otherwise uncollectible cases.

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.

# VALLEY 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. A lack of segregation of duties increases the risk of possible errors or irregularities. 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 and 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. Non-waiverable Court Costs

Neb. Rev. Stat. Section 29-2709 R.S. Supp., 2002 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 (judge's retirement fee), two dollars of the fee provided in section 33-107.01 (legal services fee), and the court automation fee provided in section 33-107.03, are found by a county judge to be uncollectible for any reason, including the dismissal of a 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. The Court was inconsistently waiving and/or claiming court costs which, according to Statute, are non-waiverable.

Testing of non-monetary receipts as well as case file activity noted the following:

- Five of ten receipts tested noted the Court waived the \$2 legal services fee when it should have been claimed to Valley County.
- One of ten case file receipts tested noted the Court waived a \$5 legal services fee; a fee that is non-waiverable and for which the fee amount was incorrectly identified by the Court. In addition, in the instance noted the Court claimed from Valley County \$2 in law enforcement improvement fund fees; a fee which is waiverable, rather the \$2 legal services fee, which is non-waiverable.

# VALLEY COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 2. Non-waiverable Court Costs (Concluded)

We recommend the County Court implement review procedures to ensure the amount of non-waiverable court costs on dismissed and/or otherwise uncollectible cases are waived and/or claimed in accordance with Statute.

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## VALLEY COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statement of Valley County Court as of and for the fiscal year ended June 30, 2002, 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 was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Valley County Court for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Valley County Court as of June 30, 2002, and the related activity for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2003, on our consideration of Valley 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 29, 2003

A handwritten signature in cursive script that reads "Dawn Hauffman CPA".

Deputy State Auditor

VALLEY COUNTY COURT  
ORD, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2002

	Balance July 1, 2001	Receipts	Disbursements	Balance June 30, 2002
<b>ASSETS</b>				
Cash and Deposits	\$ 21,128	\$ 85,709	\$ 97,424	\$ 9,413
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 2,231	\$ 19,762	\$ 20,576	\$ 1,417
Law Enforcement Fees	70	886	876	80
Interest	12	156	163	5
State Judges Retirement Fund	64	1,107	1,109	62
Legal Services Fees	90	1,044	1,050	84
Due to County Treasurer:				
Regular Fines	2,473	28,148	28,485	2,136
Overload Fines	7	143	150	-
Regular Fees	7	494	473	28
Due to Municipalities:				
Regular Fines	50	235	285	-
Trust Fund Payable	16,124	33,734	44,257	5,601
Total Liabilities	\$ 21,128	\$ 85,709	\$ 97,424	\$ 9,413

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



VALLEY COUNTY COURT  
NOTES TO FINANCIAL STATEMENT  
For the Fiscal Year Ended June 30, 2002

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Valley 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 Arising from Cash Transactions 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 Valley 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 Arising from Cash Transactions has been prepared, on the cash receipts and disbursements 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. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting. Under GAAP, Agency Funds would be reported in the Statement of Net Assets. Agency Funds are not reported in the Statement of Changes of Fiduciary Net Assets. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**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., 2002 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The June 30, 2002, carrying amount of total deposits, which consists of a checking account, was \$9,413. The bank balance was \$9,661. All funds were entirely covered by federal depository insurance.

# STATE OF NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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## VALLEY 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 Valley County Court as of and for the year ended June 30, 2002, and have issued our report thereon dated April 29, 2003. The report was modified to emphasize that the financial statement presents only the Agency Funds of Valley County Court prepared on the basis of cash receipts and disbursements. 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 Valley 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 a certain immaterial instance of noncompliance that we have reported to the management of Valley County Court in the Comments Section of this report as Comment Number 2 (Non-waiverable Court Costs).

### Internal Control Over Financial Reporting

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

April 29, 2003

  
Deputy State Auditor