

**AUDIT REPORT
OF
HITCHCOCK COUNTY COURT**

JULY 1, 2003 THROUGH JUNE 30, 2004

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Issued on April 21, 2005

HITCHCOCK COUNTY COURT

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HITCHCOCK COUNTY COURT

SUMMARY OF COMMENTS

During our audit of Hitchcock 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 did not consistently claim non-waiverable court costs in accordance with State Statute.
3. ***Bond Assignments:*** The County Court did not consistently obtain, in writing, defendant assignments authorizing payment of bond deposits and/or proceeds to person(s) other than the defendants.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths 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.

HITCHCOCK 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 as 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., 2004 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), the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, 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. Additionally, Neb. Rev. Stat. Section 29-2709 R.S.Supp., 2004 directs the claiming of such costs to the appropriate city, village, or county based on by whom and under what authority the cases are brought. For example, in all cases brought under city or village ordinance all such costs are to be claimed to the appropriate city or village.

During testing of ten non-monetary receipts, the following was noted:

- One instance in which \$14 in non-waiverable court costs related to a dismissed action brought under Village of Trenton municipal code were claimed and received from Hitchcock County. In accordance with State Statute, these costs should have instead been claimed to the Village of Trenton.

HITCHCOCK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Non-waiverable Court Costs (Concluded)

- One instance in which \$5 in Judge's Retirement Fees were non-monetarily receipted when a defendant sat out time in jail. In accordance with State Statute, this \$5 should have been claimed to Hitchcock County.

When non-waiverable court costs are not consistently dealt with in accordance with State Statute, there is an increased risk of error.

We recommend the County Court work to ensure the amount of non-waiverable court costs on dismissed and/or otherwise uncollectible cases are waived and/or claimed consistent with State Statute.

See County Court's Response on Page 4.

3. Bond Assignments

Neb. Rev. Stat. Section 29-901(3)(a) R.S.Supp., 2004, related to the execution of an appearance bond, requires return of the bond deposit or bond deposit proceeds to the defendant upon various circumstance such as the performance of the defendant's appearance(s), declined and/or dismissed prosecution, bond reduction, etc. The Nebraska County Court Procedures Manual Chapter 13, IV (I) regarding bail financial accounting, states, in part, ". . . if a person other than the defendant posts the bond, that person should be advised that the bond will be returned to the defendant unless the defendant assigns the bond, in writing, to the person who posted it"

The County Court did not consistently obtain written assignments from defendants to authorize the payment of bond deposits and/or proceeds to persons other than the defendants. Two of five adjustment transactions tested were related to assignments of defendant bonds to persons other than the defendants. One of these transactions was properly supported by a bond assignment signed by the defendant. The remaining transaction had the bond assignment administratively performed by the County Court to assign the bond back to the person who had posted the bond with no supporting bond assignment signed by the defendant.

When bonds are not handled in accordance with State Statute and the Nebraska County Court Procedures Manual there is an increased risk of loss and/or liability.

We recommend the County Court be consistent in not returning bond deposits and/or proceeds to any person(s) other than the defendants unless the defendants have assigned, in writing, their bonds.

See County Court's Response on Page 4.

HITCHCOCK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

County Court's Response: The auditor discussed with me some errors she found during the audit. Today I received the draft of the audit and I wanted to try to explain.

The error set out under Comments and Recommendations, page 2, paragraph 2 regarding claiming for costs to the county on a Village of Trenton case was a matter of not putting the correct filing code in when the citation was typed and I overlooked it when the costs were claimed for. Approximately 99% of the cases are county cases and some of the codes are typed routinely. This has been corrected and the costs have been reimbursed from the village to the county. I am more aware of this now and will be more careful in the future.

The second error on page 3 in claiming for costs on jail receipts has also been corrected and I am checking these more closely.

Finally, I would like to comment on the error set out under Comments and Recommendations, page 3, paragraph 3 regarding bond assignments. The Sheriff in the past had the "bond assignment" directly on the bond form so that when bond was posted, the assignment could be signed at that time. Then he took the assignment off and I didn't follow through consistently on getting bond assignments. The Sheriff has put the assignment portion back on his forms since nearly all bonds are posted at the Sheriff's office. I am correcting this error also and being more careful.

I regret these errors and I will be more cautious in the future. Thank you.

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HITCHCOCK COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Ms. Janice Walker
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We have audited the accompanying financial statement of Hitchcock County Court as of and for the fiscal year ended June 30, 2004, 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 Hitchcock 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 Hitchcock County Court as of June 30, 2004, 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 March 30, 2005, on our consideration of Hitchcock County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

March 30, 2005


Assistant Deputy Auditor

HITCHCOCK COUNTY COURT
TRENTON, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ASSETS				
Cash and Deposits	\$ 9,358	\$ 141,382	\$ 131,024	\$ 19,716
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,679	\$ 23,843	\$ 23,013	\$ 2,509
Law Enforcement Fees	126	3,099	2,951	274
State Judges Retirement Fund	232	5,952	5,606	578
Court Administrative Fees	426	11,753	10,812	1,367
Legal Services Fees	323	8,046	7,657	712
Due to County Treasurer:				
Regular Fines	4,490	61,577	60,248	5,819
Overload Fines	175	13,423	10,118	3,480
Regular Fees	288	3,211	2,724	775
Due to Municipalities:				
Regular Fines	-	190	190	-
Trust Fund Payable	1,619	10,288	7,705	4,202
Total Liabilities	\$ 9,358	\$ 141,382	\$ 131,024	\$ 19,716

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

HITCHCOCK COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2004

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Hitchcock 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 Hitchcock 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.R.S. 2003 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

The June 30, 2004, carrying amount of total deposits, which included a checking account, was \$19,716. The bank balance was \$18,246. All funds were entirely covered by federal depository insurance.

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HITCHCOCK COUNTY COURT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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Acting State Court Administrator
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We have audited the financial statement of Hitchcock County Court as of and for the year ended June 30, 2004, and have issued our report thereon dated March 30, 2005. The report was modified to emphasize that the financial statement presents only the Agency Funds of Hitchcock 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hitchcock 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 an opinion 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 Hitchcock 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hitchcock 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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the management of Hitchcock County Court in the Comments Section of this report as Comment Number 2 (Non-waiverable Court Costs) and Comment Number 3 (Bond Assignments).

This report is intended solely for the information and use of the Court, the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

March 30, 2005


Assistant Deputy Auditor