

**AUDIT REPORT  
OF  
SIOUX COUNTY COURT  
JULY 1, 2004 THROUGH JUNE 30, 2006**

**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.**

**Issued on October 17, 2006**

# SIOUX COUNTY COURT

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<b><u>Financial Section</u></b>	
Independent Auditors' Report	5 - 6
Financial Statements:	
Statement of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2006	7
Statement of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2005	8
Notes to Financial Statements	9 - 10
<b><u>Government Auditing Standards Section</u></b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11 - 12

# SIoux COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of 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 phases of a transaction from beginning to end.
2. ***Bond Assignments:*** The County Court did not obtain, in writing, defendant assignments authorizing payment of bond deposits and/or proceeds to person(s) other than the defendants.
3. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
4. ***Judgments:*** Testing of receipts noted an instance in which the County Court did not completely and accurately enter citation judgments into the JUSTICE system, which resulted in incomplete information being transmitted to the appropriate licensing authority.
5. ***Dismissed Case Documentation:*** Testing of voided transactions noted an instance in which the dismissal of a traffic citation was not supported and/or documented by the County Court.

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 County Court.

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County 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 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. Further, 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. Bond Assignments

Neb. Rev. Stat. Section 29-901(3)(a) R.S.Supp., 2006, related to the execution of an appearance bond, requires return of the bond deposit or bond deposit proceeds to the defendant upon various circumstances 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 obtain written assignments from defendants to authorize the payment of bond deposits and/or proceeds to persons other than the defendants. All six adjustment transactions tested were related to assignments of defendant bonds to fines/costs owed the County Court. None of these transactions were supported by a written assignment from the defendant supporting their election to assign their bonds in this manner.

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.

# SIOUX COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. **Bond Assignments** (Concluded)

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

### 3. **Overdue Balances**

Good internal control and sound business practices require overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

Four of six overdue balances tested, totaling \$366, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. In addition, as of November 5, 2004, the total in overdue balances was \$2,979; as of September 15, 2006, this total had increased to \$3,398; an increase of \$419, or approximately 14% in 22 months.

Without a regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow up action taken or the balances may have been previously resolved and should no longer be reflected as being overdue.

This issue was also noted in the prior audit report.

We recommend the County Court review the Overdue Case Account Report on an ongoing, timely basis and take action, when appropriate, to further collect and/or resolve the balances overdue the County Court.

### 4. **Judgments**

Good internal control requires the County Court have procedures in place to ensure the complete and accurate reporting of judgments to the appropriate authorities.

# SIoux COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 4. Judgments (Concluded)

During testing of receipts, one instance was noted in which a defendant had received a traffic citation containing two offenses, speeding 15-20 MPH County/State (\$75 fine) and the violation of a stop sign (\$50 fine). The County Court, in error, entered only the speeding violation into the JUSTICE system and, in order to balance out to the defendant's payment, the fine amount for this violation was altered to \$125. As a result, the abstract of judgment sent to the Nebraska Department of Motor Vehicles (DMV) would have been inaccurate and, based on the reported information, the DMV would have assessed only 2 points against the defendant's drivers license as opposed to 3 points had the stop sign violation also been reported.

When judgments are not completely and accurately entered into the JUSTICE system, there is an increased risk of inaccurate judgment information being reported to other authorities.

We recommend all judgments be completely and accurately entered into the JUSTICE system.

### 5. Dismissed Case Documentation

Good internal control and sound accounting practices require that all possible supporting documentation be obtained, and retained, to support transactions of the County Court.

During testing of voided transactions, one instance was noted in which the County Court received a signed waiver and complete payment, \$167, on a traffic citation. With the waiver and payment, the defendant also sent the County Court a note stating that they disagreed with the ticketed speed and requested that points assessed against their license be reduced due to the financial burden those points would place on their insurance. The County Court subsequently received from the defendant an additional payment of \$42 in court costs, at which time the County Court refunded the original payment of \$167 to the defendant. The JUSTICE system indicated the case had been dismissed by the County Attorney; however, the auditor could not locate any documentation on file from either the County Court or the County Attorney supporting such dismissal.

When transactions are not adequately supported and/or documented, there is an increased risk of inappropriate transactions.

We recommend the County Court consistently obtain, and retain, all possible supporting case file documentation.

# 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](http://www.auditors.state.ne.us)

**Kate Witek**  
State Auditor  
[Kate.Witek@apa.ne.gov](mailto:Kate.Witek@apa.ne.gov)

## SIoux COUNTY COURT

**Deann Haeffner, CPA**  
Deputy State Auditor  
[Deann.Haeffner@apa.ne.gov](mailto:Deann.Haeffner@apa.ne.gov)

### INDEPENDENT AUDITORS' REPORT

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[Don.Dunlap@apa.ne.gov](mailto:Don.Dunlap@apa.ne.gov)

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[Pat.Reding@apa.ne.gov](mailto:Pat.Reding@apa.ne.gov)

**Tim Channer, CPA**  
Asst. Deputy Auditor  
[Tim.Channer@apa.ne.gov](mailto:Tim.Channer@apa.ne.gov)

We have audited the accompanying financial statements of Sioux County Court as of and for the fiscal years ended June 30, 2006, and June 30, 2005, as listed in the Table of Contents. The financial statements are the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statements based on our audit.

**Mary Avery**  
SAE/Finance Manager  
[Mary.Avery@apa.ne.gov](mailto:Mary.Avery@apa.ne.gov)

**Dennis Meyer, CGFM**  
Subdivision Budget  
Coordinator  
[Dennis.Meyer@apa.ne.gov](mailto:Dennis.Meyer@apa.ne.gov)

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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
[Mark.Avery@apa.ne.gov](mailto:Mark.Avery@apa.ne.gov)

**Perry Pirsch, JD, MPA**  
Legal Counsel  
[Perry.Pirsch@apa.ne.gov](mailto:Perry.Pirsch@apa.ne.gov)

As discussed in Note 1, the financial statements were 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 statements present 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 Sioux County Court for the years then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Sioux County Court as of June 30, 2006, and June 30, 2005, and the related activity for the fiscal years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, 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 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.

September 22, 2006

  
Dawn Hayflee CPA  
Deputy State Auditor



SIOUX COUNTY COURT  
HARRISON, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<b>ASSETS</b>				
Cash and Deposits	\$ 5,594	\$ 25,518	\$ 26,985	\$ 4,127
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 425	\$ 5,242	\$ 5,169	\$ 498
Law Enforcement Fees	50	322	331	41
State Judges Retirement Fund	90	871	849	112
Court Administrative Fees	139	1,519	1,526	132
Legal Services Fees	129	1,049	1,043	135
Due to County Treasurer:				
Regular Fines	2,059	9,424	9,952	1,531
Regular Fees	-	30	30	-
Due to Municipalities:				
Regular Fines	-	50	50	-
Trust Fund Payable	2,702	7,011	8,035	1,678
Total Liabilities	\$ 5,594	\$ 25,518	\$ 26,985	\$ 4,127

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

SIOUX COUNTY COURT  
HARRISON, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2005

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
<b>ASSETS</b>				
Cash and Deposits	\$ 2,952	\$ 26,484	\$ 23,842	\$ 5,594
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 298	\$ 5,859	\$ 5,732	\$ 425
Law Enforcement Fees	42	486	478	50
State Judges Retirement Fund	81	929	920	90
Court Administrative Fees	124	1,742	1,727	139
Legal Services Fees	106	1,292	1,269	129
Due to County Treasurer:				
Regular Fines	800	13,524	12,265	2,059
Regular Fees	-	41	41	-
Due to Municipalities:				
Regular Fines	-	40	40	-
Trust Fund Payable	1,501	2,571	1,370	2,702
Total Liabilities	\$ 2,952	\$ 26,484	\$ 23,842	\$ 5,594

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

**SIOUX COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2006, and June 30, 2005

**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 Statements of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect 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 statements do 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 Statements of Changes in Assets and Liabilities Arising from Cash Transactions have 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 County 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.

**SIOUX COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**2. Deposits and Investments (Concluded)**

The carrying amounts and bank balances of total deposits, consisted of a checking account, were as follows:

		Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2006	\$	4,127	\$ -	\$ 4,127	\$ 4,145
June 30, 2005	\$	5,594	\$ -	\$ 5,594	\$ 5,534

These funds were 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](http://www.auditors.state.ne.us)

**Kate Witek**  
State Auditor  
[Kate.Witek@apa.ne.gov](mailto:Kate.Witek@apa.ne.gov)

## SIoux 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

**Deann Haeffner, CPA**  
Deputy State Auditor  
[Deann.Haeffner@apa.ne.gov](mailto:Deann.Haeffner@apa.ne.gov)

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

**Don Dunlap, CPA**  
Asst. Deputy Auditor  
[Don.Dunlap@apa.ne.gov](mailto:Don.Dunlap@apa.ne.gov)

**Pat Reding, CPA**  
Asst. Deputy Auditor  
[Pat.Reding@apa.ne.gov](mailto:Pat.Reding@apa.ne.gov)

**Tim Channer, CPA**  
Asst. Deputy Auditor  
[Tim.Channer@apa.ne.gov](mailto:Tim.Channer@apa.ne.gov)

**Mary Avery**  
SAE/Finance Manager  
[Mary.Avery@apa.ne.gov](mailto:Mary.Avery@apa.ne.gov)

**Dennis Meyer, CGFM**  
Subdivision Budget  
Coordinator  
[Dennis.Meyer@apa.ne.gov](mailto:Dennis.Meyer@apa.ne.gov)

**Mark Avery, CPA**  
Subdivision Audit  
Review Coordinator  
[Mark.Avery@apa.ne.gov](mailto:Mark.Avery@apa.ne.gov)

**Perry Pirsch, JD, MPA**  
Legal Counsel  
[Perry.Pirsch@apa.ne.gov](mailto:Perry.Pirsch@apa.ne.gov)

We have audited the financial statements of Sioux County Court as of and for the years ended June 30, 2006, and June 30, 2005, and have issued our report thereon dated September 22, 2006. The report was modified to emphasize that the financial statements present only the Agency Funds of Sioux 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 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 statements 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 Sioux County Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. 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 Sioux County Court's financial statements are 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 Sioux County Court in the Comments Section of this report as Comment Number 2 (Bond Assignments), Comment Number 3 (Overdue Balances), Comment Number 4 (Judgments), and Comment Number 5 (Dismissed Case Documentation).

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

September 22, 2006

  
Dawn Hayflee CPA  
Deputy State Auditor