

**AUDIT REPORT  
OF  
POLK COUNTY COURT**

**JULY 1, 2005 THROUGH JUNE 30, 2007**

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**Issued on March 26, 2008**

# POLK COUNTY COURT

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# POLK COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Polk 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. ***Unclaimed Property:*** The County Court did not report and remit trust balances to the State Treasurer that were over three years old as required by State Statute.
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. ***Bond Assignments:*** Assignment of defendants' appearance bonds to fines and costs were not consistently documented in writing.

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.

# POLK 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. Unclaimed Property

Neb. Rev. Stat. Section 69-1310 R.R.S. 2003 the Unclaimed Property Act, provides any unclaimed property, after three years, is presumed abandoned. Any presumed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year.

During our testing, we noted while the County Court annually remitted Unclaimed Property to the State Treasurer, it was not doing so by the November 1 deadline set forth in Statute. The County Court's fiscal year 2006 and 2007 remittances were made November 28, 2006, and November 20, 2007, respectively.

When unclaimed property is not remitted pursuant to the Unclaimed Property Act not only is the County Court not in compliance with State Statute but there is also an increased risk of loss or misuse of funds.

We recommend the County Court remit Unclaimed Property in accordance with State Statute.

# POLK COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 3. Overdue Balances

Good internal control and sound accounting 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 out of ten overdue balances tested, totaling \$1,312, 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 uncollectible. As of February 23, 2008, overdue balances, excluding restitution, totaled \$12,744.

Without 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.

We recommend the County Court implement active review of its Overdue Case Account Report to ensure timely collection, and/or resolution, of all overdue balances.

### 4. Bond Assignments

Neb. Rev. Stat. Section 29-901 R.S.Supp., 2006, related to the execution of an appearance bond, requires return of a bond deposit and/or bond deposit proceeds to defendants upon various circumstances such as the performance of the defendant's appearance(s), declined, and/or dismissed prosecution, bond reduction, etc. Financial Procedures Manual Checklist No. 9, "How to Apply a Bond to Pay Fines, Costs, Etc.," as issued by the Office of the Nebraska State Court Administrator, requires defendant and/or assignee signature authorization for assignment of bond deposit and/or proceeds to fines, costs, restitution, other adjustments, etc. Lastly, good internal control requires County Courts have adequate procedures in place to ensure statutory compliance.

The County Court did not consistently obtain defendants and/or assignees signature authorization for assignment of bond deposit or proceeds to fines, costs, restitution, and/or other adjustments. Of 10 adjustments tested, 3 were bond assignments to fines and/or court costs which were not supported by written assignment from defendants and/or assignees.

When bond assignments are not consistently documented in writing, there is an increased risk of a defendant or assignee subsequently disputing such assignments.

We recommend the County Court consistently document, in writing, defendant and/or assignee assignment of bond deposits or proceeds to fines and/or court costs.



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### POLK COUNTY COURT

### INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Polk County Court as of and for the fiscal years ended June 30, 2007, and June 30, 2006, as listed in the Table of Contents. The financial statements are the responsibility of the County Court's management. Our responsibility is to express an opinion on the financial statements 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 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.

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 County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Polk 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 Polk County Court as of June 30, 2007, and June 30, 2006, 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 March 18, 2008, on our consideration of Polk County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 18, 2008

  
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>ASSETS</b>				
Cash and Deposits	\$ 21,553	\$ 132,785	\$ 135,467	\$ 18,871
 <b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,443	\$ 20,105	\$ 19,200	\$ 2,348
Law Enforcement Fees	150	1,768	1,702	216
State Judges Retirement Fund	465	6,140	5,731	874
Court Administrative Fees	1,494	13,022	13,310	1,206
Legal Services Fees	480	6,725	6,446	759
Due to County Treasurer:				
Regular Fines	4,537	52,677	55,133	2,081
Overload Fines	-	1,500	1,500	-
Regular Fees	516	7,834	7,778	572
Due to Municipalities:				
Trust Fund Payable	12,468	23,014	24,667	10,815
Total Liabilities	\$ 21,553	\$ 132,785	\$ 135,467	\$ 18,871

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



POLK COUNTY COURT  
OSCEOLA, 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	\$ 31,760	\$ 189,636	\$ 199,843	\$ 21,553
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 2,803	\$ 26,443	\$ 27,803	\$ 1,443
Law Enforcement Fees	383	2,507	2,740	150
State Judges Retirement Fund	681	7,424	7,640	465
Court Administrative Fees	1,632	15,825	15,963	1,494
Legal Services Fees	992	8,156	8,668	480
Due to County Treasurer:				
Regular Fines	7,748	78,737	81,948	4,537
Overload Fines	3,300	950	4,250	-
Regular Fees	812	8,872	9,168	516
Due to Municipalities:				
Regular Fines	-	200	200	-
Trust Fund Payable	13,409	40,522	41,463	12,468
<b>Total Liabilities</b>	<b>\$ 31,760</b>	<b>\$ 189,636</b>	<b>\$ 199,843</b>	<b>\$ 21,553</b>

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

**POLK COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Fiscal Years Ended June 30, 2007, and June 30, 2006

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Polk 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 County 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 County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Polk 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.

**POLK 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 <u>Carrying Amount</u>	<u>Cash Amount</u>	Deposit <u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2007	\$ 18,871	\$ -	\$ 18,871	\$ 18,830
June 30, 2006	\$ 21,553	\$ -	\$ 21,553	\$ 21,627

These funds were entirely covered by federal depository insurance.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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**POLK 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***

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

We have audited the financial statements of Polk County Court as of and for the years ended June 30, 2007, and June 30, 2006, and have issued our report thereon dated March 18, 2008. The report was modified to emphasize that the financial statements present only the Agency Funds of Polk 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 Polk County Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the Comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Segregation of Duties).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk 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 Polk County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property), Comment Number 3 (Overdue Balances), and Comment Number 4 (Bond Assignments).

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



Assistant Deputy Auditor

March 18, 2008