

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2007 THROUGH JUNE 30, 2008

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Issued on January 23, 2009

ADAMS COUNTY COURT

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ADAMS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Adams 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. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not reviewed, with corrective action taken when necessary to resolve issues.

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. All formal responses received have been incorporated into this report. Where no response has been included, the County 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 examination.

We appreciate the cooperation and courtesy extended to our auditors during the course of the examination.

ADAMS 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 examinations.

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. § 69-1310 (Reissue 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.

Review of the County Court's bank accounts and trust balances noted the following:

- As of June 30, 2008, 27 checks, totaling \$1,967, in the County Court's JUSTICE checking account were outstanding in excess of three years. In November 2008, the County Court voided these checks and adjusted into the JUSTICE Unclaimed Property account. As of January 7, 2009, the County Court had not paid these items over to the State Treasurer.
- As of June 30, 2008, 11 checks, totaling \$220, in the County Court's witness fee checking account were outstanding in excess of three years. As of January 7, 2009, the County Court had not paid these items over to the State Treasurer.
- As of June 30, 2008, 4 of 12 case balances tested, totaling \$294, had been inactive in excess of three years. As of January 7, 2009, the County Court had not researched and/or paid these items over to the State Treasurer.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Unclaimed Property (Concluded)

There is an increased risk of loss, theft, or misuse when unclaimed property is not reported and remitted to the State Treasurer in accordance with the Unclaimed Property Act.

We have noted this comment in previous examinations.

We recommend the County Court work to promptly remit all unclaimed property in its possession in accordance with State Statute.

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.

During testing of 20 overdue balances, 12, totaling \$3,138, 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 January 2, 2009, the total of overdue balances, excluding restitution, totaled \$184,079.

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 have noted this comment in previous examinations.

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

County Court's Response: The Court has been sending out postcards to those defendants that have signed time pay agreements to alert them of their due date and hopefully respond in a positive way by submitting their payment to the court. We have found that these have been successful from the response we have received from the defendants

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Monthly Report Review

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts. In addition, sound accounting practices require procedures be in place which ensure the complete and accurate posting of defendant payments to their respective cases.

During testing of June 30, 2008, case balances, we noted two of eight traffic case balances tested, totaling \$158, which should have been previously refunded to defendants. In the first instance, the defendant had overpaid a traffic citation by \$23. In the second instance, the defendant had posted a \$150 failure to pay bond; however, the bond was not refunded following the defendant's payment in full to the County Court.

During testing of June 30, 2008, non-case balances, we noted three of eight non-case balances tested, totaling \$336, did not have subsequent follow-up action by the County Court to resolve the unassigned status of these balances. In two of the instances, the defendant's payments in full had not been applied to their respective citations. Furthermore, as a result of the County Court's failure to apply their payments one of the defendants had his driver's license suspended in error. In the third instance, the County Court had not taken action to resolve a defendant's \$142 payment in July 2003 for which the County Court never received a filed citation to match the payment against.

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities which would not be detected and/or resolved in a timely manner.

We strongly recommend the County Court perform ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts, in an attempt to identify and resolve unattached and/or unusual balances in a timely manner.

County Court's Response: The Court will implement steps to review these reports in a timely manner.



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ADAMS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Adams County Court as of and for the fiscal year ended June 30, 2008. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Adams County Court as of June 30, 2008, and the related activity for the fiscal year then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2009, on our consideration of Adams 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 attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

This report is intended solely for the information and use of management, the Supreme Court, others within 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.

Signed Original on File

January 7, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

ADAMS COUNTY COURT
HASTINGS, NEBRASKA
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and Deposits	\$ 168,112	\$ 1,702,798	\$ 1,695,800	\$ 175,110
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 15,934	\$ 166,902	\$ 171,766	\$ 11,070
Law Enforcement Fees	1,027	9,696	9,818	905
State Judges Retirement Fund	4,369	44,447	44,885	3,931
Court Administrative Fees	6,599	85,877	84,513	7,963
Legal Services Fees	4,931	50,556	51,052	4,435
Due to County Treasurer:				
Regular Fines	32,348	328,304	333,603	27,049
Overload Fines	2,300	11,150	13,225	225
Regular Fees	2,132	35,138	33,933	3,337
Petty Cash Fund	922	9,502	10,391	33
Due to Municipalities:				
Regular Fines	251	2,024	1,921	354
Regular Fees	274	924	922	276
Trust Fund Payable	97,025	958,278	939,771	115,532
Total Liabilities	<u>\$ 168,112</u>	<u>\$ 1,702,798</u>	<u>\$ 1,695,800</u>	<u>\$ 175,110</u>

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2008

1. Criteria

A. Reporting Entity

The Adams 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 Schedule 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 Schedule does 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 Adams County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system 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.

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. § 25-2713 (Reissue 2008). 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. § 77-2326.04 (Reissue 2003) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



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ADAMS COUNTY COURT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE FINANCIAL SCHEDULE PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have examined the accompanying Schedule of Adams County Court as of and for the year ended June 30, 2008, and have issued our report thereon dated January 7, 2009. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered Adams County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedule, 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 the accounting system and procedures prescribed by the Nebraska Supreme Court such that there is more than a remote likelihood that a misstatement of the entity's Schedule 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 Schedule 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 Adams County Court's Schedule 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 Schedule 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 Adams County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property), Comment Number 3 (Overdue Balances), and Comment Number 4 (Monthly Report Review).

The County Court's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the County Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Supreme Court, others within 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.

Signed Original on File

January 7, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor