

**ATTESTATION REPORT
OF
CASS COUNTY COURT
JULY 1, 2007 THROUGH JUNE 30, 2008**

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Issued on April 16, 2009

CASS COUNTY COURT

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CASS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Cass 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. ***Credit Card Transactions:*** The credit card transactions that make up timing differences between the County Court's bank account and accounting system were not specifically identified or reconciled.
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. ***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.

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 examination.

CASS 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. Credit Card Transactions

Sound accounting practice and good internal control require regular, detailed reconciliations between monies on deposit and the accounting records to ensure errors, omissions, or irregularities that might occur are detected and resolved in a timely manner.

The County Court prepared monthly bank account reconciliations and noted a difference of \$2,222 between the balance of deposits in the bank account and the balance according to the accounting records. The auditor identified three July 2007 credit card slips, totaling \$1,732, which were entered into the accounting system but which were never deposited into the bank and a similar credit card deposit error in February 2005 for \$209. The auditor also identified \$186 of miscellaneous adjustments, and \$302 of unidentified errors dating back to the fiscal year ended June 30, 2003, which had not been resolved. We have noted this comment in the previous five audits.

When variances between the County Court's bank balance and book balance are not sufficiently itemized to ensure their accuracy, there is an increased risk errors, omissions, or irregularities might occur and go undetected and/or unresolved.

We recommend the County Court implement procedures to identify and correct variances between the accounting records and the bank records.

CASS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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.

Of 15 overdue case balances tested, 12 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. As of March 21, 2009, total overdue case balances, excluding restitution, were \$83,322. During our testing we also noted a case with an incorrect balance due of \$44. This case should not have a balance due as the defendant had not yet appeared in County Court.

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

4. 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.

During our testing, we noted 9 of 25 case balances were not remitted to unclaimed property in a timely manner and 2 of the 25 case balances, totaling \$400, need to be remitted to unclaimed property. Prior to the County Court remitting unclaimed property on November 26, 2008, property had last been remitted to the State Treasurer on October 23, 2006.

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



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CASS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Cass 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 Cass 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 March 31, 2009, on our consideration of Cass 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

March 31, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor

CASS COUNTY COURT
 PLATTSMOUTH, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2008

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2008</u>
ASSETS				
Cash and Deposits	\$ 285,431	\$ 1,712,665	\$ 1,637,481	\$ 360,615
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 15,522	\$ 199,636	\$ 194,470	\$ 20,688
Law Enforcement Fees	1,242	18,378	17,942	1,678
State Judges Retirement Fund	4,476	66,773	64,924	6,325
Court Administrative Fees	8,898	109,890	109,034	9,754
Legal Services Fees	5,832	84,505	82,287	8,050
Due to County Treasurer:				
Regular Fines	42,877	558,497	548,866	52,508
Overload Fines	15,350	305,666	288,461	32,555
Regular Fees	1,357	31,300	30,178	2,479
Due to Municipalities:				
Regular Fines	-	3,771	3,771	-
Trust Fund Payable	189,877	334,249	297,548	226,578
Total Liabilities	<u>\$ 285,431</u>	<u>\$ 1,712,665</u>	<u>\$ 1,637,481</u>	<u>\$ 360,615</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Cass 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 Cass 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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CASS 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 Cass County Court as of and for the year ended June 30, 2008, and have issued our report thereon dated March 31, 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 Cass 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 deficiencies described in the Comments Section of the report to be significant deficiencies in internal control over financial reporting: Comment Number 1 (Segregation of Duties) and Comment Number 2 (Credit Card Transactions).

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, of the significant deficiencies described above, we consider Comment Number 1 (Segregation of Duties) to be a material weakness.

Compliance and Other Matters

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

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

March 31, 2009

Deann Haeffner, CPA
Assistant Deputy Auditor