

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2008 THROUGH JUNE 30, 2009

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Issued on April 21, 2010

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. ***City Cost Reimbursements:*** City cost reimbursements were being remitted to the County Treasurer as *County* cost reimbursements and, as such, deposited to the Adams County General Fund without further remittance to the City of Hastings.
4. ***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.

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.

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 2009), 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.

As of June 30, 2009, 27 checks, totaling \$2,003, issued in the County Court's checking account and 20 checks, totaling \$426, issued in the County Court's Witness fee checking account had been outstanding in excess of three years. These checks were required to be remitted to the State Treasurer as Unclaimed Property by November 1, 2009. As of April 8, 2010, these items had not been remitted by the County Court.

There is an increased risk of loss, theft, or misuse of funds 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.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. City Cost Reimbursements

Good internal control and sound accounting practices require complete, accurate, and timely remittance of monies collected to the appropriate entities.

Review of the County Court's financial transactions and activity noted cost reimbursements due to the City of Hastings were being remitted to the Adams County Treasurer with the County Court's intention that such reimbursements be further remitted on to the City of Hastings. However, when the County Court deposited these reimbursements to the Adams County Treasurer they were coded similar to *County* cost reimbursements and, as a result, ended up being deposited into the Adams County General Fund without further remittance to the City of Hastings. For the fiscal year ended June 30, 2009, the County Court submitted a total of \$5,499 in city cost reimbursements to the County Treasurer.

When procedures are not in place to ensure monies collected are remitted to the proper entities, there is an increased risk of inappropriate payment and further liability.

We strongly recommend the County Court implement changes in its receipting procedures to identify such city cost reimbursements with the appropriate entity at the time of collection and, by doing so, remit such reimbursements directly to those entities on a monthly basis. We further recommend the County Court work with the County Treasurer to undertake whatever corrective actions may be necessary to retroactively correct those remittance errors.

4. 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 \$2,217, 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 April 2, 2010, overdue balances, excluding restitution judgments, totaled \$199,959.

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.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Overdue Balances (Concluded)

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.



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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, 2009. 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, 2009, 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 April 8, 2010, 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

April 8, 2010

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, 2009

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
ASSETS				
Cash and Deposits	\$ 175,110	\$ 1,038,093	\$ 1,042,192	\$ 171,011
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 11,070	\$ 157,540	\$ 152,314	\$ 16,296
Law Enforcement Fees	905	9,047	9,122	830
State Judges Retirement Fund	3,931	44,414	44,070	4,275
Court Administrative Fees	7,963	89,269	89,908	7,324
Legal Services Fees	4,435	51,290	50,674	5,051
Due to County Treasurer:				
Regular Fines	27,049	317,249	321,085	23,213
Overload Fines	225	16,656	16,050	831
Regular Fees	3,337	28,467	30,406	1,398
Petty Cash Fund	33	11,201	10,340	894
Due to Municipalities:				
Regular Fines	354	4,522	4,297	579
Regular Fees	276	5,857	5,719	414
Trust Fund Payable	115,532	302,581	308,207	109,906
Total Liabilities	\$ 175,110	\$ 1,038,093	\$ 1,042,192	\$ 171,011

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2009

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 2009) 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, 2009, and have issued our report thereon dated April 8, 2010. 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 (City Cost Reimbursements), and Comment Number 4 (Overdue Balances).

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

April 8, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor