

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2010

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Issued on September 2, 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. ***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.

County Court's Response: It should be noted that this issue comes up every year. However, after the previous audit of just a few months ago, we did change some things to try to better comply with that request. Previously, the magistrate had been doing the nightly balancing and preparing the bank deposit. After the last audit, the assistant Clerk has been doing this nightly balancing. The magistrate still does the reconciling on a monthly basis.

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, 2010, 27 checks, totaling \$2,003, issued in the County Court's main 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. The checks in the main checking account were required to be remitted to the State Treasurer as Unclaimed Property by November 1, 2009, while the checks in the Witness fee checking account were required to be remitted to the State Treasurer as Unclaimed Property as far back as November 1, 2005. As of August 19, 2010, none of these items had been remitted by the County Court.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Unclaimed Property** (Concluded)

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.

County Court's Response: Just for the record, we had planned on doing that in June but because of reconciling problems that had to be dealt with by the Justice Help desk staff, we did not feel we should "mess" up the accounts any further while still trying to reconcile.

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, 14, totaling \$7,031, 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 August 13, 2010, overdue balances, excluding restitution judgments, totaled \$207,917.

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 ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

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.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Monthly Report Review (Concluded)

During testing of June 30, 2010, case and non-case balances, the following was noted:

- One of three traffic case balances tested, in the amount of \$94, had been paid in full but never applied by the County Court to the defendant's citation.
- Two of five non-case balances tested, totaling \$644, did not have subsequent follow-up action by the County Court to resolve the unassigned status of these balances. In the first instance, a defendant's payment in full had not been applied to his citation and, as a result, the defendant's driver's license was suspended in error. In the second instance, the County Court had not taken action to review the status of a defendant's \$450 appearance bond they had been holding since August 2007.

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.



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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, 2010. 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 that 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, 2010, 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 August 19, 2010, on our consideration of Adams County Court's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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

August 19, 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, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and Deposits	\$ 171,011	\$ 1,097,770	\$ 1,085,276	\$ 183,505
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 16,296	\$ 153,188	\$ 154,997	\$ 14,487
Law Enforcement Fees	830	11,348	11,086	1,092
State Judges Retirement Fund	4,275	49,502	49,733	4,044
Court Administrative Fees	7,324	97,587	96,718	8,193
Legal Services Fees	5,051	51,996	52,552	4,495
Due to County Treasurer:				
Regular Fines	23,213	328,200	318,039	33,374
Overload Fines	831	19,763	18,044	2,550
Regular Fees	1,398	32,993	32,531	1,860
Petty Cash Fund	894	10,651	10,077	1,468
Due to Municipalities:				
Regular Fines	579	5,877	6,115	341
Regular Fees	414	6,258	6,013	659
Trust Fund Payable	109,906	330,407	329,371	110,942
Total Liabilities	<u>\$ 171,011</u>	<u>\$ 1,097,770</u>	<u>\$ 1,085,276</u>	<u>\$ 183,505</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, 2010

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 SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have examined the accompanying Schedules of Adams County Court as of and for the year ended June 30, 2010, and have issued our report thereon dated August 19, 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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedules will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the Comments Section of the report to be a material weakness: Comment Number 1 (Segregation of Duties).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams County Court's financial schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 examination, 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 items that we reported to 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

August 19, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor