

**ATTESTATION REPORT
OF
POLK COUNTY COURT
JULY 1, 2007 THROUGH JUNE 30, 2009**

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Issued on April 5, 2010

POLK COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedule:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2009	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2008	7
Notes to Financial Schedules	8
<u>Government Auditing Standards Section</u>	
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 <i>Government Auditing Standards</i>	9 - 10

POLK COUNTY COURT

SUMMARY OF COMMENTS

During our examination 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. ***Record Retention:*** The County Court did not maintain records for an appropriate amount of time which made testing of certain nonmonetary adjustments, impossible.

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.

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 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, we noted seven checks totaling \$69 were still listed as outstanding but should have been voided and sent to Unclaimed Property. The check dates ranged from August 12, 2004, to June 6, 2006.

By failing to remit unclaimed property in accordance with the Unclaimed Property Act, the County Court is not in compliance with State Statute. There is also an increased risk of loss or misuse of State funds.

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

Two of ten overdue balances, totaling \$1,998, 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 declarations of certain overdue balances uncollectible. As of February 20, 2010, overdue balances, excluding restitution, totaled \$9,399.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow up action taken or 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. Record Retention

Prior to October 8, 2008, the Local Government Record Retention Schedule 18, County Courts, Section 18-7-7, regarding Traffic Case Files, required the County Court to maintain traffic case files for two years after a judgment was entered provided an audit had been completed. The current Local Government Record Retention Schedule 18, County Courts, Section 18-7-5, requires the County Court to maintain traffic case files for three years after judgement was satisfied, provided an audit has been completed.

Two of fifteen nonmonetary receipts tested could not be traced to supporting documentation to determine whether the receipt was reasonable because the records had been discarded prior to an audit being completed.

When records are not maintained for the appropriate amount of time there is an increased risk of loss or misuse of County Court funds.

We recommend the County Court maintain files in accordance with the Local Government Record Retention Schedule.



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POLK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Polk County Court as of and for the fiscal years ended June 30, 2009, and June 30, 2008. The County Court's management is responsible for the Schedules. 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 Schedules 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 Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Polk County Court as of June 30, 2009, and June 30, 2008, and the related activity for the fiscal years 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 February 25, 2010, 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 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

February 25, 2010

Don Dunlap, CPA
Assistant Deputy Auditor

POLK COUNTY COURT
OSCEOLA, 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	\$ 10,056	\$ 110,016	\$ 103,350	\$ 16,722
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,192	\$ 18,915	\$ 18,937	\$ 1,170
Law Enforcement Fees	93	885	904	74
State Judges Retirement Fund	440	4,519	4,600	359
Court Administrative Fees	545	7,619	7,635	529
Legal Services Fees	464	5,038	5,071	431
Due to County Treasurer:				
Regular Fines	2,366	28,983	27,891	3,458
Overload Fines	-	1,125	1,125	-
Regular Fees	134	2,610	2,550	194
Due to Municipalities:				
Regular Fines	-	50	50	-
Trust Fund Payable	4,822	40,272	34,587	10,507
Total Liabilities	\$ 10,056	\$ 110,016	\$ 103,350	\$ 16,722

The accompanying notes are an integral part of the schedule.

POLK COUNTY COURT
OSCEOLA, 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>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS				
Cash and Deposits	\$ 18,871	\$ 88,119	\$ 96,934	\$ 10,056
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,348	\$ 14,857	\$ 16,013	\$ 1,192
Law Enforcement Fees	216	891	1,014	93
State Judges Retirement Fund	874	4,326	4,760	440
Court Administrative Fees	1,206	9,447	10,108	545
Legal Services Fees	759	4,872	5,167	464
Due to County Treasurer:				
Regular Fines	2,081	28,400	28,115	2,366
Overload Fines	-	1,300	1,300	-
Regular Fees	572	4,178	4,616	134
Due to Municipalities:				
Regular Fines	-	115	115	-
Trust Fund Payable	<u>10,815</u>	<u>19,733</u>	<u>25,726</u>	<u>4,822</u>
Total Liabilities	<u>\$ 18,871</u>	<u>\$ 88,119</u>	<u>\$ 96,934</u>	<u>\$ 10,056</u>

The accompanying notes are an integral part of the schedule.

POLK COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2009, and June 30, 2008

1. Criteria

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 Schedules 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 Schedules 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 Schedules 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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POLK 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 Polk County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated February 25, 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 Polk County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedules, 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 Schedules 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 Schedules 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 Schedules 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 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.

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 (Record Retention).

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

February 25, 2010

Don Dunlap, CPA
Assistant Deputy Auditor