

**ATTESTATION REPORT
OF
DEUEL COUNTY COURT**

JULY 1, 2008 THROUGH JUNE 30, 2010

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Issued on May 17, 2011

DEUEL COUNTY COURT

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DEUEL COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Deuel 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. ***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.
3. ***Bond Assignments:*** The County Court did not consistently obtain written assignments from defendants to authorize the application of bond proceeds to the defendants' fines and/or court costs.
4. ***Non-Monetary Receipts:*** Of 20 non-monetary receipts tested, 3 had no documentation on file to support the issuance of a non-monetary receipt.
5. ***Citation/Complaint Accuracy:*** Of 8 citations randomly selected from the County Attorney's Office, one traffic citation did not have the filed charge accurately entered into the JUSTICE system by the County Court, this resulted in the collection of a reduced fine amount.

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. 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.

DEUEL 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: This has been and will continue to be a suggestion in the audit due to I being the only staff in this court.

2. 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 8 overdue balances, all 8, totaling \$1,445, 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 December 27, 2008, overdue balances, excluding restitution judgments, totaled \$9,552. As of May 7, 2011, overdue balances, excluding restitution judgments, totaled \$13,268; an increase of \$3,716; or 39%.

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.

DEUEL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Overdue Balances** (Concluded)

County Court's Response: I have learned what this report is and how to read it and will address overdue balances on an ongoing basis. Being new to the court with minimal training I was unsure of how this report actually functioned. Thanks to information from the State Auditor I will now pay close attention to these reports.

3. **Bond Assignments**

Neb. Rev. Stat. § 29-901 (Reissue 2008) related to the execution of an appearance bond, requires the return of the bond deposit or bond deposit proceeds to the defendant upon various circumstances such as the performance of the defendant's appearance(s), declined and/or dismissed prosecution, bond reduction, etc. Financial Procedures Manual Bail/Bonds Checklist No. 9, "How to Apply a Bond to Pay Fines, Costs, Etc.," as issued by the Office of the Nebraska State Court Administrator, requires defendant and/or assignee signature authorization for assignment of bond deposit and/or proceeds to fines, costs, restitution, other judgments, etc. Lastly, good internal control requires county courts have adequate procedures in place to ensure statutory compliance.

The County Court did not consistently obtain written documentation of defendants' elections to assign their bond deposit or proceeds to fines and/or court costs. Of 15 adjustments tested, 2 were bond assignments to fines and/or court costs which were not supported by written assignments from defendants or court order from a judge.

When bond assignments are not consistently documented in writing, there is an increased risk of defendants subsequently disputing such assignments.

We recommend the County Court consistently document, in writing, defendant assignment of bond deposits or proceeds to fines and/or court costs.

County Court's Response: Since I have taken over the position of Clerk Magistrate I have learned that this must be done on all bonds before being assessed to fines and costs. Bond Assignments will continue to happen to each and every case that requires one.

4. **Non-Monetary Receipts**

Good internal control requires supporting documentation be retained on all non-monetary receipt transactions to ensure the issuance of such receipts are accurate and proper.

During our testing, we noted 3 of 20 non-monetary receipts tested, all of which were administrative waivers by the County Court of defendants' outstanding balances, could not be traced to supporting documentation.

DEUEL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Non-Monetary Receipts (Concluded)

When adequate documentation is not maintained to support non-monetary receipts, there is an increased risk that improper receipts could be made and balances due may be incorrect in the accounting records.

We recommend the County Court implement procedures to ensure adequate documentation is on file to support all non-monetary receipts.

County Court's Response: Due to being new I was not sure how/when to use NM Receipts. However each time that I have used it I have received clarification from the help desk. Due to the help desk explaining how this is used I am sure to always have documentation and think to myself how can I make a note of this so that when I have an audit in two years I will know what I was doing.

5. Citation/Complaint Accuracy

Sound accounting practices and good internal control require County Courts have adequate procedures in place to ensure complete and accurate recording of citations and/or orders in the JUSTICE system, the computerized accounting and case management system of the County Court.

Of the eight citations randomly selected from the County Attorney's Office, one traffic citation assessed a \$50 fine for speeding 6-10 mph in a construction zone. When entering the citation in the JUSTICE system, the County Court only entered the charge as speeding 6-10 mph without the construction zone enhancement which would have doubled the speeding fine from \$25 to \$50; as shown on the citation. Additional review of the filed citation at the County Court did not indicate any adjustment or dismissal of the construction zone charge by the County Attorney.

When citation counts are not accurately entered into the JUSTICE system, the correct amount of fines are not subsequently collected by the County Court.

We recommend the County Court have procedures in place to ensure complete and accurate recording of all citations and/or orders in the JUSTICE system with any changes to filed charges adequately documented.

County Court's Response: These citations were entered by the former Clerk Magistrate. I cross reference the tickets and the amounts that are paid so that I know they match.

County Court's Overall Response: Due to being very new I have learned and continue to learn information everyday. I will work very hard to address these suggestions to ensure that they are corrected so that the court functions correctly.



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DEUEL COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Deuel County Court as of and for the fiscal years ended June 30, 2010, and June 30, 2009. 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 that 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 Deuel County Court as of June 30, 2010, and June 30, 2009, 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 May 9, 2011, on our consideration of Deuel 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

May 9, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Cash and Deposits	\$ 16,693	\$ 151,057	\$ 149,275	\$ 18,475
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,867	\$ 21,509	\$ 22,747	\$ 1,629
Law Enforcement Fees	202	2,548	2,512	238
State Judges Retirement Fund	798	8,461	8,581	678
Court Administrative Fees	1,237	11,370	11,775	832
Legal Services Fees	953	9,240	9,419	774
 Due to County Treasurer:				
Regular Fines	6,420	61,211	61,976	5,655
Overload Fines	-	2,450	2,000	450
Regular Fees	86	1,203	1,223	66
 Due to Municipalities:				
Regular Fines	-	55	55	-
Trust Fund Payable	4,130	33,010	28,987	8,153
Total Liabilities	\$ 16,693	\$ 151,057	\$ 149,275	\$ 18,475

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Cash and Deposits	\$ 32,539	\$ 175,333	\$ 191,179	\$ 16,693
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,605	\$ 25,507	\$ 24,245	\$ 2,867
Law Enforcement Fees	155	2,149	2,102	202
State Judges Retirement Fund	569	8,351	8,122	798
Court Administrative Fees	695	10,880	10,338	1,237
Legal Services Fees	741	10,072	9,860	953
Due to County Treasurer:				
Regular Fines	5,875	66,402	65,857	6,420
Overload Fines	-	1,875	1,875	-
Regular Fees	200	12,126	12,240	86
Due to Municipalities:				
Regular Fines	-	100	100	-
Trust Fund Payable	<u>22,699</u>	<u>37,871</u>	<u>56,440</u>	<u>4,130</u>
Total Liabilities	<u>\$ 32,539</u>	<u>\$ 175,333</u>	<u>\$ 191,179</u>	<u>\$ 16,693</u>

The accompanying notes are an integral part of the schedule.

DEUEL COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2010, and June 30, 2009

1. Criteria

A. Reporting Entity

The Deuel 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 Deuel 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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DEUEL 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 Deuel County Court as of and for the years ended June 30, 2010, and June 30, 2009, and have issued our report thereon dated May 9, 2011. 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 Deuel 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 Schedules, 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 was not designed to 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 Deuel 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 financial 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 Deuel County Court in the Comments Section of this report as Comment Number 2 (Overdue Balances), Comment Number 3 (Bond Assignments), Comment Number 4 (Non-Monetary Receipts), and Comment Number 5 (Citation/Complaint Accuracy).

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

May 9, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor