

**ATTESTATION REPORT
OF
RICHARDSON COUNTY COURT
JULY 1, 2009 THROUGH JUNE 30, 2011**

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Issued on October 19, 2011

RICHARDSON 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 Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2011	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2010	7
Notes to Financial Schedules	8

RICHARDSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Richardson County Court, we noted certain deficiencies in internal control that we consider to be a material weakness and other operational matters that are presented here.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

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:*** Considered to be a material weakness, one individual was capable of handling all phases of a transaction from beginning to end.
2. ***Monthly Report Review:*** The Monthly Case Balance Report was not reviewed by the County Court with corrective actions taken to resolve any issues noted.

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.

RICHARDSON 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. Monthly Report Review

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report. In addition, sound accounting practices require procedures be in place which ensure the complete, accurate, and timely posting of defendant payments to their respective cases. In addition, 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.

During testing of June 30, 2010, case balances, we noted the following:

- A defendant's license was suspended in January 2004 for failure to pay a traffic violation. Payment was received in June 2007, but the County Court did not submit suspension compliance notice to the Department of Motor Vehicles until September 2010.
- One \$34 traffic case balance tested was remitted to the State Treasurer as unclaimed property in October 2010, two years later than required by State statute.

During testing of June 30, 2011, case balances, we noted the following:

- The County Court did not apply a defendant's payment in-full of \$119 in September 2008 to the defendant's fines and/or court costs and, as a result, the defendant's drivers license was suspended in November 2008. The County Court corrected this exception in September 2011 when brought to the attention of the County Court by the auditors.

RICHARDSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Monthly Report Review (Concluded)

- A defendant's license was suspended in July 2007 for failure to pay a \$119 traffic violation. Partial payment of \$117 was received in January 2010. Case was not closed and fines/fees distributed until September 2011.

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. In addition, when all unclaimed property is not remitted to the State Treasurer in accordance with the Unclaimed Property Act, the County Court is in noncompliance with State statute.

We strongly recommend the County Court perform ongoing, detailed, and timely review of all monthly financial reports, including the Monthly Case Balance Report in an attempt to promptly identify and resolve unattached and/or unusual balances/receipts. We also recommend all unclaimed property be remitted to the State Treasurer in a timely manner as required by the Unclaimed Property Act.

County Court's Response: On the testing where the drivers license was suspended in 1/04, but compliance was not sent to DMV until 9/10, I'm not sure which case this was, so no comment. On the unclaimed property of \$34, Jeanne McGinnis was the Clerk Magistrate then, so I don't know why she didn't send the money in on a timely manner. I sent it in the unclaimed property report on 10/10. On the \$119 payment, we did not have a signed waiver from the defendant, so in September, 2011, Judge Maschman signed an Order stating that reasonable efforts to obtain the defendant's signature on the Waiver form have failed, so we closed the case. On the one where we received a partial payment of \$117, we were waiting to receive the balance of the fine & costs, but I was informed to non-monetary receipt the balance due and close the case.



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RICHARDSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Richardson County Court as of and for the fiscal years ended June 30, 2011, and June 30, 2010. 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 Richardson County Court as of June 30, 2011, and June 30, 2010, 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 are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We performed our examination to express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards* and the finding, along with the views of management, is described in the Comments Section of the report.

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

September 1, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor

RICHARDSON COUNTY COURT
FALLS CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and Deposits	\$ 30,324	\$ 423,625	\$ 385,519	\$ 68,430
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,599	\$ 31,733	\$ 32,123	\$ 2,209
Law Enforcement Fees	262	3,249	3,228	283
State Judges Retirement Fund	1,000	11,013	11,023	990
Court Administrative Fees	1,641	19,636	19,671	1,606
Legal Services Fees	1,057	11,751	11,821	987
Due to County Treasurer:				
Regular Fines	4,760	74,370	72,559	6,571
Overload Fines	1,275	16,900	18,175	-
Regular Fees	111	16,058	14,869	1,300
Due to Municipalities:				
Regular Fines	946	5,142	5,864	224
Regular Fees	-	129	129	-
Trust Fund Payable	<u>16,673</u>	<u>233,644</u>	<u>196,057</u>	<u>54,260</u>
Total Liabilities	<u>\$ 30,324</u>	<u>\$ 423,625</u>	<u>\$ 385,519</u>	<u>\$ 68,430</u>

The accompanying notes are an integral part of the schedule.

RICHARDSON COUNTY COURT
FALLS CITY, 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	\$ 34,744	\$ 391,781	\$ 396,201	\$ 30,324
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,168	\$ 30,876	\$ 31,445	\$ 2,599
Law Enforcement Fees	209	2,626	2,573	262
State Judges Retirement Fund	904	10,477	10,381	1,000
Court Administrative Fees	1,545	17,669	17,573	1,641
Legal Services Fees	1,123	11,032	11,098	1,057
Due to County Treasurer:				
Regular Fines	5,632	66,456	67,328	4,760
Overload Fines	3,700	17,575	20,000	1,275
Regular Fees	800	6,393	7,082	111
Due to Municipalities:				
Regular Fines	1,057	5,364	5,475	946
Regular Fees	42	46	88	-
Trust Fund Payable	<u>16,564</u>	<u>223,267</u>	<u>223,158</u>	<u>16,673</u>
Total Liabilities	<u>\$ 34,744</u>	<u>\$ 391,781</u>	<u>\$ 396,201</u>	<u>\$ 30,324</u>

The accompanying notes are an integral part of the schedule.

RICHARDSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2011, and June 30, 2010

1. Criteria

A. Reporting Entity

The Richardson 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 Richardson 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.