

**ATTESTATION REPORT
OF
ADAMS COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on September 17, 2012

ADAMS COUNTY COURT

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ADAMS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Adams County Court, we noted a certain deficiency 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 following areas:

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. ***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.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation 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 consider this to be a material weakness.

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. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years as abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), provides any unclaimed 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, 2011, we noted 25 checks totaling \$2,561, issued from the County Court's main checking account and 44 checks, totaling \$977, issued from the County Court's Witness Fee checking account. These checks have remained outstanding for more than three years and were not reported and remitted to the State Treasurer by November 1, 2011, as required by the Unclaimed Property Act. These checks continued to remain outstanding at June 30, 2012.

When outstanding checks are not followed up on and remitted as abandoned property, there is an increased risk of loss, theft, or misuse. This comment was included in prior year reports.

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. 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, 17, totaling \$10,537, 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. As of July 27, 2012, overdue balances, excluding restitution judgments, totaled \$223,897; an increase of \$15,980 or 7.7%.

This comment was included in prior year reports.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have the 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 on 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.

During testing of the June 30, 2011, and June 30, 2012, case and non-case balances, the following was noted:

- 20 of 30 cases tested, in the amount of \$17,619, did not have subsequent follow up actions by the County Court to review and/or resolve the balances. These balances included, in part, defendant payments which had been applied to the defendants' cases but not to their respective fee and fine amounts due; defendant appearance bonds which had been inactive for a significant time; and unrefunded defendant overpayments due to application errors of the County Court.
- All 10 non-case balances tested, totaling \$1,025 related to unfiled citations, which the County Court did not review in an attempt to further resolve.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Monthly Report Review (Concluded)

This comment was included in prior year reports.

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 a detailed review of all monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

County Court's Response: The court is aware of the problems with the review of certain reports (holding acct, overdue case accts etc) and will be working diligently to try to get those reports caught up throughout the next year.



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ADAMS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Adams County Court as of and for the fiscal years ended June 30, 2012, and June 30, 2011. 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 Adams County Court as of June 30, 2012, and June 30, 2011, 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 certain findings that are required to be reported under *Government Auditing Standards* and those findings, along with the views of management, are 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, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

August 2, 2012

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, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
ASSETS				
Cash and Deposits	\$ 198,789	\$ 1,250,635	\$ 1,265,303	\$ 184,121
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 15,546	\$ 167,962	\$ 167,996	\$ 15,512
Law Enforcement Fees	1,358	15,065	14,150	2,273
State Judges Retirement Fund	5,102	55,732	51,767	9,067
Court Administrative Fees	9,489	103,522	100,072	12,939
Legal Services Fees	5,533	57,499	55,925	7,107
 Due to County Treasurer:				
Regular Fines	35,254	371,485	376,108	30,631
Overload Fines	1,325	16,750	15,975	2,100
Regular Fees	1,164	28,493	22,247	7,410
Witness Fee Fund	669	3,870	3,569	970
 Due to Municipalities:				
Regular Fines	461	6,310	6,146	625
Regular Fees	558	6,955	6,646	867
Trust Fund Payable	122,330	416,992	444,702	94,620
Total Liabilities	\$ 198,789	\$ 1,250,635	\$ 1,265,303	\$ 184,121

The accompanying notes are an integral part of the schedule.

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, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and Deposits	\$ 183,505	\$ 1,232,583	\$ 1,217,299	\$ 198,789
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 14,487	\$ 162,226	\$ 161,167	\$ 15,546
Law Enforcement Fees	1,092	13,930	13,664	1,358
State Judges Retirement Fund	4,044	52,393	51,335	5,102
Court Administrative Fees	8,193	99,050	97,754	9,489
Legal Services Fees	4,495	54,369	53,331	5,533
 Due to County Treasurer:				
Regular Fines	33,374	361,488	359,608	35,254
Overload Fines	2,550	15,900	17,125	1,325
Regular Fees	1,860	34,090	34,786	1,164
Witness Fee Fund	1,468	2,002	2,801	669
 Due to Municipalities:				
Regular Fines	341	8,130	8,010	461
Regular Fees	659	5,986	6,087	558
Trust Fund Payable	110,942	423,019	411,631	122,330
Total Liabilities	\$ 183,505	\$ 1,232,583	\$ 1,217,299	\$ 198,789

The accompanying notes are an integral part of the schedule.

ADAMS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2012, and June 30, 2011

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 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, including 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 Adams 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 as 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.