

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

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Issued on April 26, 2012

BUTLER COUNTY COURT

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BUTLER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Butler 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. ***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. ***Investment Interest:*** The County Court did not record interest received on investments timely.

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.

BUTLER 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: Of course on the Segregation of Duties issue, there is nothing I can do. There are only 2 of us here, and we both do everything.

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, 2011, we noted 6 of 18 case balances tested, totaling \$246, had been inactive in excess of three years. As of April 5, 2012, the County Court had not researched and/or paid these items over to the State Treasurer as unclaimed property. This issue was also noted in our previous audit report.

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

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

County Court's Response: I have submitted the unclaimed property report to the Treasurer along with a check for \$618.21. I have also tagged my monthly tickler system so that it reminds me in Sept. to work on this for this coming year.

BUTLER 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 10 overdue balances, 8, totaling \$2,521, 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 March 31, 2012, overdue balances, excluding restitution judgments, totaled \$26,449. This was also noted in the previous audit report.

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.

County Court's Response: I have been working with the County Attorney on some of the overdue balance cases this past month and will continue to work on that report to bring it up to date.

4. Investment Interest

A good internal control plan requires interest earnings on investments held by the County Court be receipted in a timely manner to ensure accurate accounting records are maintained.

We noted the office of the County Court controlled one investment during the fiscal years ended June 30, 2010, and June 30, 2011, which had interest earnings totaling \$813, which were not receipted. When interest earnings are not recorded in a timely manner, records do not reflect the correct balance controlled by the County Court.

We recommend the County Court implement procedures to ensure interest earned on investments is receipted timely.

County Court's Response: On the investment interest issue, it was always coming up for hearing in District Court, so I would wait until the mandate was issued, and then the case would be continued again, I guess I lost track of the amount of time that had passed that the interest was not being recorded.



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BUTLER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Butler 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 Butler 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

April 9, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

BUTLER COUNTY COURT
DAVID 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	\$ 109,656	\$ 296,488	\$ 279,815	\$ 126,329
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,413	\$ 40,189	\$ 40,097	\$ 3,505
Law Enforcement Fees	325	3,580	3,396	509
State Judges Retirement Fund	1,115	12,152	11,286	1,981
Court Administrative Fees	2,679	25,625	25,145	3,159
Legal Services Fees	1,244	12,661	12,381	1,524
Due to County Treasurer:				
Regular Fines	11,762	92,898	96,955	7,705
Overload Fines	550	2,975	3,350	175
Regular Fees	892	20,578	7,388	14,082
Due to Municipalities:				
Regular Fines	5	25	20	10
Regular Fees	-	263	263	-
Trust Fund Payable	<u>87,671</u>	<u>85,542</u>	<u>79,534</u>	<u>93,679</u>
Total Liabilities	<u>\$ 109,656</u>	<u>\$ 296,488</u>	<u>\$ 279,815</u>	<u>\$ 126,329</u>

The accompanying notes are an integral part of the schedule.

BUTLER COUNTY COURT
DAVID CITY, 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	\$ 100,078	\$ 302,015	\$ 292,437	\$ 109,656
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,456	\$ 44,405	\$ 44,448	\$ 3,413
Law Enforcement Fees	336	3,183	3,194	325
State Judges Retirement Fund	1,518	12,123	12,526	1,115
Court Administrative Fees	2,118	23,108	22,547	2,679
Legal Services Fees	1,428	13,005	13,189	1,244
Due to County Treasurer:				
Regular Fines	8,638	90,708	87,584	11,762
Overload Fines	-	6,950	6,400	550
Regular Fees	904	10,526	10,538	892
Due to Municipalities:				
Regular Fines	5	115	115	5
Regular Fees	-	318	318	-
Trust Fund Payable	81,675	97,574	91,578	87,671
Total Liabilities	\$ 100,078	\$ 302,015	\$ 292,437	\$ 109,656

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Butler 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 Butler 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.