

**ATTESTATION REPORT  
OF  
MADISON COUNTY COURT**

**JULY 1, 2009 THROUGH JUNE 30, 2011**

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**Issued on June 26, 2012**

# MADISON COUNTY COURT

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# MADISON COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of Madison County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and another operational matter that is 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. ***IRS 1099 Forms:*** The County Court did not file a U.S Department of the Treasury, Internal Revenue Service (IRS) Form 1099 for individuals in accordance with IRS requirements.

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.

# MADISON 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. IRS 1099 Forms

The U.S. Department of the Treasury Internal Revenue Service (IRS) Code specific instructions for form 1099-MISC require filing of a 1099 form for each nonemployee paid compensation of \$600 or more. The instructions state:

*“If the following four conditions are met, you must generally report a payment as nonemployee compensation.*

- *You made the payment to someone who is not your employee;*
- *You made the payment for services in the course of your trade or business (including government agencies and nonprofit organizations);*
- *You made the payment to an individual, partnership, estate, or, in some cases, a corporation; and*
- *You made payments to the payee of at least \$600 during the year.”*

During testing, it was determined the County Court paid in excess of \$600 in calendar year 2011 to three individuals for appraiser services in a civil condemnation case.

The County Court has not historically prepared any 1099 forms and did not in these three instances for 2011.

# MADISON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 2. **IRS 1099 Forms** (Concluded)

When procedures are not in place to ensure conformity with all IRS 1099 reporting requirements, there is an increased risk of potential liability related to any noncompliance.

We strongly recommend the County Court immediately review this situation with the Nebraska State Court Administrator's Office and seek specific, documented guidance on 1099 issuance responsibilities of County Courts.



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### MADISON COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Madison 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 Madison 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 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. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

June 11, 2012

Deann Haeffner, CPA  
Assistant Deputy Auditor

**MADISON COUNTY COURT**  
**MADISON, 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>Deductions</u>	<u>Balance</u>
	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2011</u>
<b>ASSETS</b>				
Cash and Deposits	\$ 138,098	\$ 1,419,756	\$ 1,376,676	\$ 181,178
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 15,241	\$ 188,529	\$ 189,998	\$ 13,772
Law Enforcement Fees	1,330	16,751	16,728	1,353
State Judges Retirement Fund	4,837	57,664	58,012	4,489
Court Administrative Fees	8,940	118,365	119,384	7,921
Legal Services Fees	5,084	59,892	60,299	4,677
Due to County Treasurer:				
Regular Fines	24,538	314,458	308,946	30,050
Overload Fines	2,225	22,075	22,825	1,475
Regular Fees	1,159	20,185	20,830	514
Due to Municipalities:				
Regular Fines	10,110	110,769	110,311	10,568
Regular Fees	124	7,353	6,816	661
Trust Fund Payable	<u>64,510</u>	<u>503,715</u>	<u>462,527</u>	<u>105,698</u>
<b>Total Liabilities</b>	<u>\$ 138,098</u>	<u>\$ 1,419,756</u>	<u>\$ 1,376,676</u>	<u>\$ 181,178</u>

The accompanying notes are an integral part of the schedule.



**MADISON COUNTY COURT**  
**MADISON, 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
<b>ASSETS</b>				
Cash and Deposits	\$ 163,834	\$ 1,237,472	\$ 1,263,208	\$ 138,098
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 15,972	\$ 184,016	\$ 184,747	\$ 15,241
Law Enforcement Fees	929	14,262	13,861	1,330
State Judges Retirement Fund	4,323	56,867	56,353	4,837
Court Administrative Fees	6,200	104,125	101,385	8,940
Legal Services Fees	4,770	60,069	59,755	5,084
Due to County Treasurer:				
Regular Fines	21,484	315,990	312,936	24,538
Overload Fines	825	12,950	11,550	2,225
Regular Fees	1,731	18,645	19,217	1,159
Due to Municipalities:				
Regular Fines	8,604	110,595	109,089	10,110
Regular Fees	573	5,048	5,497	124
Trust Fund Payable	98,423	354,905	388,818	64,510
Total Liabilities	\$ 163,834	\$ 1,237,472	\$ 1,263,208	\$ 138,098

The accompanying notes are an integral part of the schedule.

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

**1. Criteria**

**A. Reporting Entity**

The Madison 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 Madison 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.