

**ATTESTATION REPORT
OF
SALINE COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2011

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Issued on March 12, 2012

SALINE COUNTY COURT

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SALINE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Saline 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. ***Non-Waiverable Court Costs:*** The County Court waived court costs which, according to State statute, were non-waiverable.
5. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure balances were current, proper, and in compliance with State statute.
6. ***Insufficient Pledged Collateral:*** The County Court did not have sufficient pledged collateral to protect deposits at all times during the audit period.
7. ***Timeliness of Deposits:*** All receipts were not deposited to the bank in a timely manner.

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.

SALINE 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: Segregation of duties is simply not possible in a small court. Your auditors all know that and there is no way to change that as the Court Administrator's Office decides the staffing level.

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 24 checks totaling \$3,777 which remained unclaimed and were not remitted to the State Treasurer's office as unclaimed property. These checks ranged in dates from February 13, 2004, to June 25, 2008. 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.

County Court's Response: Unclaimed property will be addressed by the deputy and the new clerk magistrate soon after appointment of the new clerk magistrate consistent with the training provided by the Court Administration Office.

SALINE 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 15 overdue balances, 13, totaling \$7,351, 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 3, 2012, overdue balances, excluding restitution judgments, totaled \$101,570. This comment was noted in prior audits.

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 Report to ensure timely collection and/or resolution of overdue balances.

County Court's Response: We are addressing the overdue balances which will be emphasized in training of the new clerk magistrate.

4. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2008) provides, when any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 (judges retirement fee), two dollars of the fee provided in section 33-107.01 (legal services fee), the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived.

We noted the following instances where fees were waived for non-waiverable court costs:

- Two instances where \$1 of the automation fee was incorrectly waived.
- Non-waiverable court costs of \$14 were waived when the case was deemed uncollectible by the judge.
- Three instances where \$17 of non-waiverable court costs were waived when the defendant applied jail time for payment of fines and costs.

When non-waiverable costs are waived, the County Court is not in compliance with State statute.

We recommend the County Court only waive court fees when provided for in State statute.

SALINE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Non-Waiverable Court Costs (Concluded)

County Court's Response: We will address the issue of non-waiverable court costs in training so that the costs claimed in the future and past costs waived can be addressed. I am aware of what is waiverable and not and will address those in the docket program both for criminal and juvenile cases as I prepare those journal entries.

5. Review of Trust Balances

Good internal controls and sound accounting practices require all trust balances be reviewed on a timely basis to ensure that all balances are proper and current.

During review of the County Court's trust balances we noted the following:

- Three instances where bonds were declared forfeited in May 2010, however as of March 5, 2012, the bonds had not yet been adjusted to the forfeiture account.
- One instance where a bond was receipted on June 3, 2008, no documentation on file supporting whether bond was forfeited or follow-up was performed.
- Two receipts for \$18 and \$70 on traffic cases which were not applied to fees and fines.

When trust balances are not reviewed on a consistent and timely basis, there is an increased risk trust balances are not correct and current.

We recommend the County Court implement procedures to ensure a timely review of all trust balances is performed to ensure balances are correct and current.

County Court's Response: Trust balances will be addressed in training for the new clerk magistrate.

6. Insufficient Pledged Collateral

Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) states, "No deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act."

SALINE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

6. **Insufficient Pledged Collateral** (Concluded)

During the audit period we noted six days where deposits of the County Court were not fully insured by FDIC or additional securities. The uninsured amounts ranged from \$325 to \$8,809.

We recommend the County Court ensure there is sufficient FDIC and/or pledged collateral for all bank deposits at all times.

County Court's Response: Insufficient pledged collateral has already been addressed with our bank so that additional pledged collateral will be maintained at all times.

7. **Timeliness of Deposits**

Good internal controls and sound accounting practices require that all deposits to the bank are made in a timely manner.

During testing we noted:

- Three instances where receipts were deposited five to eight days after the date of receipt.
- Cash and checks on hand March 5, 2012, totaling \$5,028 consisted of receipts dating from February 27, 2012, through March 2, 2012.

When deposits are not made in a timely manner, there is an increased risk of loss or misuse of funds.

We recommend the County Court implement procedures to ensure deposits are performed in a timely manner, at least every other day.

County Court's Response: Timely deposits have been addressed with current staff and will be also addressed with the new clerk magistrate during training.



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SALINE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

March 5, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

SALINE COUNTY COURT
WILBER, 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	\$ 257,288	\$ 424,197	\$ 434,175	\$ 247,310
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,072	\$ 68,937	\$ 69,008	\$ 7,001
Law Enforcement Fees	521	4,817	4,845	493
State Judges Retirement Fund	1,895	18,006	18,062	1,839
Court Administrative Fees	4,966	34,530	35,765	3,731
Legal Services Fees	1,981	17,944	18,075	1,850
Due to County Treasurer:				
Regular Fines	17,082	131,421	136,850	11,653
Overload Fines	1,575	9,455	9,855	1,175
Regular Fees	2,065	20,086	19,633	2,518
Due to Municipalities:				
Regular Fines	25	2,106	1,961	170
Trust Fund Payable	<u>220,106</u>	<u>116,895</u>	<u>120,121</u>	<u>216,880</u>
Total Liabilities	<u>\$ 257,288</u>	<u>\$ 424,197</u>	<u>\$ 434,175</u>	<u>\$ 247,310</u>

The accompanying notes are an integral part of the schedule.

SALINE COUNTY COURT
WILBER, 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	\$ 55,104	\$ 596,237	\$ 394,053	\$ 257,288
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,850	\$ 69,912	\$ 67,690	\$ 7,072
Law Enforcement Fees	305	4,436	4,220	521
State Judges Retirement Fund	1,365	19,303	18,773	1,895
Court Administrative Fees	2,365	37,775	35,174	4,966
Legal Services Fees	1,616	19,200	18,835	1,981
Due to County Treasurer:				
Regular Fines	11,120	133,725	127,763	17,082
Overload Fines	50	10,725	9,200	1,575
Regular Fees	1,155	20,470	19,560	2,065
Due to Municipalities:				
Regular Fines	150	1,062	1,187	25
Trust Fund Payable	32,128	279,629	91,651	220,106
Total Liabilities	<u>\$ 55,104</u>	<u>\$ 596,237</u>	<u>\$ 394,053</u>	<u>\$ 257,288</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Saline 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 Saline 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.