

**ATTESTATION REPORT
OF
WAYNE COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2012

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Issued on July 25, 2012

WAYNE COUNTY COURT

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WAYNE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Wayne County Court, we noted certain deficiencies in internal control that we consider to be material weaknesses 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. ***Unrecorded Investment:*** The County Court had one probate investment, opened in January 1999, which was held in the County Court's name but not recorded on the County Court's accounting system.
3. ***Monthly Bank Reconciliations:*** The County Court did not attempt to identify and resolve variances in its monthly account reconciliations. At June 30, 2011, the Auditor of Public Accounts identified twelve reconciling items, totaling \$411, which included several accounting errors.
4. ***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.
5. ***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.

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.

WAYNE 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.

County Court's Response: Is a given, especially in 1 person courts.

2. Unrecorded Investment

Good internal control and sound accounting practices require the complete and accurate recording of all assets and their related financial activity.

The County Court had one probate investment, opened January 21, 1999, which was held in the County Court's name but not recorded in JUSTICE, the County Court's accounting and case management system. Additionally, the authorized signature card obtained from the financial institution determined the only authorized signature was that of the prior Clerk Magistrate, no current County Court employees were authorized on the account. This probate investment had the following balances: June 30, 2010, \$72,849.91; June 30, 2011, \$72,959.25; and June 30, 2012, \$73,068.77, the only financial activity during these years was investment interest.

When all assets and their related financial activity are not completely and accurately recorded in the County Court's accounting system, there is an increased risk of loss, theft, or misuse.

We recommend all assets of the County Court be completely and accurately recorded in the financial accounting system in order to provide a true accounting of the funds held by the County Court.

County Court's Response: The investment account has never been addressed prior, I told the auditors I will talk to Judge and JUSTICE to see how to proceed here, I have talked to JUSTICE already, but not had the chance to talk to the Judge yet.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Monthly Bank Reconciliations

Sound accounting practices and good internal control require that comprehensive, detailed reconciliation procedures be in place, at least on a monthly basis, to ensure proper balancing and reconciliation of the County Court's book and bank balances. County Court reconciliation procedures should include timely identification and resolution of all variances noted.

The County Court did not attempt to completely and accurately identify and resolve variances in its monthly account reconciliations in a timely manner. At June 30, 2012, we identified eleven reconciling items, totaling \$417, which included several unresolved accounting errors, including:

- Instances where checks had cleared the County Court's bank account; however, were not noted as cleared in the County Court's accounting system;
- Adjustments were not made for checks which had cleared the County Court's bank account for amounts which did not agree to the accounting system; and
- Bank interest was not receipted timely and in one instance was receipted twice.

When variances between the County Court's bank and book accounts are not identified and resolved in a timely manner, there is an increased risk of loss, theft, or misuse of funds.

We recommend the County Court implement monthly bank reconciliation procedures, including the complete and accurate identification and resolution of all variances.

County Court's Response: I do not agree that the County Court did not attempt to identify or resolve variance, when I run the check reconciliation, I work on it. I get interrupted a lot with court, phone, mail counter folks and other duties in the office, then I go back to it, and it might not be the same day, and will continue to do so until I feel I can not find it then I call JUSTICE.

4. 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 seven overdue balances, four, totaling \$1,543, 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 June 9, 2012, overdue balances, excluding restitution judgments, totaled \$22,645.

WAYNE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Overdue Balances (Concluded)

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.

County Court's Response: The balances I talked about to the auditors, I try to locate folks, on restitution, some cases are J/S with co defendants.

5. 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.

We noted twelve outstanding checks, totaling \$328, dated from June 2005 to April 2008 which were required to be reported and remitted to the State Treasurer by November 1, 2011. As of July 17, 2012, these twelve outstanding checks remain unreported and unremitted.

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 do agree with the outstanding checks, I have not voided them. Justice states good idea to void if check is in hand, but after that long of time it probably is not going to have in hand. I appreciate any suggestions, your auditors were nice and explained some things when I asked them.



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WAYNE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Wayne County Court as of and for the fiscal years ended June 30, 2012, 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 Wayne County Court as of June 30, 2012, 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

July 18, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 95,120	\$ 207,220	\$ 192,460	\$ 109,880
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,974	\$ 32,837	\$ 33,208	\$ 1,603
Law Enforcement Fees	225	3,136	3,213	148
State Judges Retirement Fund	728	10,633	10,895	466
Court Administrative Fees	1,239	20,009	19,723	1,525
Legal Services Fees	832	10,548	10,831	549
Due to County Treasurer:				
Regular Fines	3,225	70,224	67,307	6,142
Overload Fines	175	2,025	1,200	1,000
Regular Fees	65	2,091	1,954	202
Due to Municipalities:				
Regular Fines	-	85	85	-
Regular Fees	50	1,459	1,269	240
Trust Fund Payable	86,607	54,173	42,775	98,005
Total Liabilities	<u>\$ 95,120</u>	<u>\$ 207,220</u>	<u>\$ 192,460</u>	<u>\$ 109,880</u>

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
WAYNE, 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	\$ 101,381	\$ 216,646	\$ 222,907	\$ 95,120
 LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,614	\$ 33,876	\$ 34,516	\$ 1,974
Law Enforcement Fees	306	2,892	2,973	225
State Judges Retirement Fund	974	9,270	9,516	728
Court Administrative Fees	1,429	17,317	17,507	1,239
Legal Services Fees	1,097	10,151	10,416	832
 Due to County Treasurer:				
Regular Fines	9,410	76,607	82,792	3,225
Overload Fines	150	1,600	1,575	175
Regular Fees	124	3,011	3,070	65
 Due to Municipalities:				
Regular Fines	110	785	895	-
Regular Fees	364	587	901	50
Trust Fund Payable	84,803	60,550	58,746	86,607
Total Liabilities	\$ 101,381	\$ 216,646	\$ 222,907	\$ 95,120

The accompanying notes are an integral part of the schedule.

WAYNE COUNTY COURT
WAYNE, 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 *	\$ 100,656	\$ 230,656	\$ 229,931	\$ 101,381
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,633	\$ 33,980	\$ 33,999	\$ 2,614
Law Enforcement Fees	183	2,880	2,757	306
State Judges Retirement Fund	827	10,280	10,133	974
Court Administrative Fees	1,031	19,467	19,069	1,429
Legal Services Fees	960	11,207	11,070	1,097
Due to County Treasurer:				
Regular Fines	9,436	96,935	96,961	9,410
Overload Fines	-	1,350	1,200	150
Regular Fees	5	2,581	2,462	124
Due to Municipalities:				
Regular Fines	300	995	1,185	110
Regular Fees	50	1,593	1,279	364
Trust Fund Payable *	85,231	49,388	49,816	84,803
Total Liabilities	\$ 100,656	\$ 230,656	\$ 229,931	\$ 101,381

The accompanying notes are an integral part of the schedule.

* Balance was adjusted, see notes for additional information.

WAYNE COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Fiscal Years Ended June 30, 2012, June 30, 2011, and June 30, 2010

1. Criteria

A. Reporting Entity

The Wayne 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 Wayne 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.

3. Balance Adjustment

The July 1, 2009, Trust Fund Payable balance was increased \$72,622 to include a money market bank account held by the County Court but not reflected in the accounting system. See Comment Number 2 (Unrecorded Investment) for additional information.