

**ATTESTATION REPORT
OF
PHELPS COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on May 14, 2013

PHELPS COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2
<u>Financial Section</u>	
Independent Accountant's Report	3 - 4
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2012	5
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2011	6
Notes to Financial Schedules	7

PHELPS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Phelps County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and another operational matter 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.

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.

PHELPS 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

As of June 30, 2012, the County Court had a total of 17 checks, totaling \$863, which had been outstanding in excess of three years yet were not reported and remitted to the State Treasurer as Unclaimed Property. As of April 29, 2013, these checks remain recorded as outstanding and unreported/unremitted by the County Court.

In addition, two of five June 30, 2011, trust balances tested, totaling \$5,876, had been inactive in excess of three years and were due to be reported and remitted to the State Treasurer as Unclaimed Property by November 1, 2011. These items were not reported and remitted to the State Treasurer by the County Court until October 18, 2012. It should be noted that during 2011 the County Court had not reported and/or remitted any Unclaimed Property to the State Treasurer.

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



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PHELPS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

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

April 29, 2013

Don Dunlap, CPA
Assistant Deputy Auditor

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 190,127	\$ 354,955	\$ 493,631	\$ 51,451
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,109	\$ 60,716	\$ 58,188	\$ 6,637
Law Enforcement Fees	564	4,844	5,025	383
State Judges Retirement Fund	2,060	17,427	17,939	1,548
Court Administrative Fees	3,751	35,468	36,769	2,450
Legal Services Fees	1,795	17,148	17,503	1,440
Due to County Treasurer:				
Regular Fines	8,353	103,572	102,011	9,914
Overload Fines	400	7,750	7,800	350
Regular Fees	122	4,000	3,965	157
Due to Municipalities:				
Regular Fines	195	2,225	2,030	390
Regular Fees	50	3,135	2,775	410
Trust Fund Payable	168,728	98,670	239,626	27,772
Total Liabilities	\$ 190,127	\$ 354,955	\$ 493,631	\$ 51,451

The accompanying notes are an integral part of the schedule.

PHELPS COUNTY COURT
HOLDREGE, 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	\$ 44,470	\$ 496,791	\$ 351,134	\$ 190,127
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,788	\$ 51,500	\$ 52,179	\$ 4,109
Law Enforcement Fees	362	4,890	4,688	564
State Judges Retirement Fund	1,294	16,553	15,787	2,060
Court Administrative Fees	2,710	33,189	32,148	3,751
Legal Services Fees	1,411	17,192	16,808	1,795
Due to County Treasurer:				
Regular Fines	7,455	102,599	101,701	8,353
Overload Fines	-	8,226	7,826	400
Regular Fees	598	3,359	3,835	122
Due to Municipalities:				
Regular Fines	265	1,085	1,155	195
Regular Fees	174	2,458	2,582	50
Trust Fund Payable	<u>25,413</u>	<u>255,740</u>	<u>112,425</u>	<u>168,728</u>
Total Liabilities	<u>\$ 44,470</u>	<u>\$ 496,791</u>	<u>\$ 351,134</u>	<u>\$ 190,127</u>

The accompanying notes are an integral part of the schedule.

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

1. Criteria

A. Reporting Entity

The Phelps 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 Phelps 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.