

**AUDIT REPORT
OF
LANCASTER COUNTY COURT
JULY 1, 2003 THROUGH JUNE 30, 2004**

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Issued on February 1, 2005

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

COMMENT AND RECOMMENDATION

During our audit of Lancaster County Court, we noted a certain matter involving the internal control over financial reporting that is presented here. The comment and recommendation is intended to improve the internal control over financial reporting in the following area:

Review of Non-Case Receipt Report

Neb. Rev. Stat. Section 25-2717 R.R.S. 1995 requires the County Judge to notify the State Treasurer regarding any fees, money, or costs due or belonging to persons which have not been paid or demanded within three years from the date the funds were paid to the County Court, and, at the direction of the State Treasurer, to remit such funds to the State Treasurer for deposit pursuant to the Unclaimed Property Act.

Good internal control requires the County Court conduct regular reviews of non-case receipt balances to ensure timely posting and/or attachment of defendant payments.

We noted 11 of 15 non-case receipts were not applied in a timely manner to a case or refunded when no case was filed. The exceptions noted totaled \$3,291. The Court had not taken actions to determine the status of these cases and, as a result, as of January 11, 2005, the balances remained as non-case receipts. Without a regular review of non-case receipt balances, there is an increased risk defendant payments will not be posted and/or attached to defendant cases in a timely manner. This was noted in our prior audit report.

We also noted 6 of the 11 non-case receipts were over three years old and had not been remitted to the State Treasurer as required per State Statute; the receipts totaled \$894. Without a regular review of non-case receipts there is an increased risk that unclaimed property will not be properly remitted to the State Treasurer. This was also noted in our prior audit report.

We recommend the County Court implement a review of the non-case receipt reports in order to assist in posting and/or attaching defendants' payments to their related cases in a timely manner. We also recommend the County Court work to promptly remit all unclaimed property in its possession in accordance with State Statute.

County Court's Response: Lancaster County Court acknowledges the absolute importance of promptly applying non-case receipts to cases or refunding the money when no case is filed. New staff and training issues have prevented the Court from reviewing and working the Non-Case Receipt Report consistently. However, this in no way negates our responsibility to address the issue. We will strive to review the report monthly to ensure the monies are appropriately directed.

LANCASTER COUNTY COURT

COMMENT AND RECOMMENDATION

(Continued)

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any accounting strengths of the Court.

Draft copies of this report were furnished to the Court to provide them an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but will be verified in the next audit.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

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LANCASTER COUNTY COURT

INDEPENDENT AUDITORS' REPORT

Mr. Frank Goodroe
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We have audited the accompanying financial statement of Lancaster County Court as of and for the fiscal year ended June 30, 2004, as listed in the Table of Contents. The financial statement is the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Lancaster County Court for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Lancaster County Court as of June 30, 2004, and the related activity for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2005, on our consideration of Lancaster County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

January 11, 2005

A handwritten signature in dark ink, reading "Dawn Hauffman CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

LANCASTER COUNTY COURT
LINCOLN, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2004

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
ASSETS				
Cash and Deposits	\$ 2,237,456	\$ 12,312,786	\$ 11,948,898	\$ 2,601,344
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 138,954	\$ 1,185,444	\$ 1,262,077	\$ 62,321
Law Enforcement Fees	7,344	126,239	127,386	6,197
State Judges Retirement Fund	17,284	244,289	249,266	12,307
Court Administrative Fees	27,862	637,482	633,692	31,652
Legal Services Fees	18,404	329,978	332,081	16,301
Due to County Treasurer:				
Regular Fines	96,131	1,092,667	1,131,663	57,135
Overload Fines	4,281	66,192	69,273	1,200
Regular Fees	45,712	234,068	269,569	10,211
Due to Municipalities:				
Regular Fines	213,989	2,306,248	2,407,481	112,756
Regular Fees	5,041	175,412	173,710	6,743
Trust Fund Payable	1,662,454	5,914,767	5,292,700	2,284,521
Total Liabilities	\$ 2,237,456	\$ 12,312,786	\$ 11,948,898	\$ 2,601,344

The accompanying notes are an integral part of the financial statement.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2004

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Lancaster 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 Statement of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflects only the Agency Funds activity of the Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The financial statement does not reflect the personal services expenses of the Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Lancaster County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Statement of Changes in Assets and Liabilities Arising from Cash Transactions has been prepared, on the cash receipts and disbursements basis of accounting. Under this basis 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. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting. Under GAAP, Agency Funds would be reported in the Statement of Net Assets. Agency Funds are not reported in the Statement of Changes of Fiduciary Net Assets. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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. Section 25-2713 R.R.S. 1995. Funds are generally consolidated in an interest-bearing checking account; however, the 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. Section 77-2326.04 R.R.S. 2003 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL STATEMENT
(Continued)

2. **Deposits and Investments** (Concluded)

The carrying amounts and bank balances of total deposits, consisting of a checking account and money market accounts, were as follows:

	Total Cash and Deposit <u>Carrying Amount</u>	<u>Cash Amount</u>	Deposit <u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2004	\$ 2,601,344	\$ 900	\$ 2,600,444	\$ 2,984,570

However, funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank.

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LANCASTER COUNTY COURT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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We have audited the financial statement of Lancaster County Court as of and for the year ended June 30, 2004, and have issued our report thereon dated January 11, 2005. The report was modified to emphasize that the financial statement presents only the Agency Funds of Lancaster County Court prepared on the basis of cash receipts and disbursements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lancaster County Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lancaster County Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain additional matter that we reported to the management of Lancaster County Court in the Comments Section of this report as Review of Non-Case Receipt Report.

This report is intended solely for the information and use of the Court, the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, reading "Dawn Hauffman CPA". The signature is written in a cursive, flowing style.

Deputy State Auditor

January 11, 2005