

**AUDIT REPORT
OF
ADAMS COUNTY COURT
JULY 1, 2005 THROUGH JUNE 30, 2006**

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Issued on April 3, 2007

ADAMS COUNTY COURT

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ADAMS COUNTY COURT

SUMMARY OF COMMENTS

During our audit of Adams County Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. 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:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Monthly Report Review:*** The Monthly Case Balance Report and Report of Non-Case Receipts were not reviewed in a timely manner, with corrective action taken when necessary, to resolve any issues noted.
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.

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.

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

ADAMS 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 audits.

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. **Monthly Report Review**

Good internal control requires the County Court have procedures in place which include ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts. These reviews determine the accuracy and validity of the County Court's trust balances.

During our review of the June 2006 Monthly Case Balance Report and the June 30, 2006, Report of Non-Case Receipts, the following was noted:

- Two of ten non-traffic case balances tested should have been previously identified and resolved by the County Court. One balance consisted of \$950 in bonds which were being held pending resolution of the defendant's appeal to the District Court. The District Court's mandate in this case occurred in November 2005; however, as of March 15, 2007, the County Court had yet to address and/or resolve the \$950 in bonds held. The other balance consisted of a \$225 appearance bond which had been posted in September 2002 and had not been forfeited or otherwise addressed by the Court.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monthly Report Review** (Concluded)

- Three of eight traffic balances tested had not been identified and resolved by the County Court. One of the three balances related to a case in which charges had been dismissed at defendant's costs, the Court had not applied the defendant's July 2005 payment to court costs. A second case related to charges which had been dismissed at State's cost, the Court had claimed nonwaiverable court costs to Adams County, but had not refunded the defendant's July 2005 payment of court costs. The third case involved two citation payments of \$69 each which had been receipted to the same violation, resulting in either an unrefunded overpayment or an incorrectly applied payment from a different defendant.
- One of eight non-case receipts tested, totaling \$69, had been receipted by the Court in December 2005 and remained unadjusted as of March 15, 2007.

When the County Court's financial reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities occurring and not being detected by the County Court in a timely manner. We have also noted this comment in the prior audit.

We recommend the County Court review its Monthly Case Balance Report and Report of Non-Case Receipts on an ongoing basis and take action in a timely manner, when necessary, to resolve any issues noted.

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.

Thirteen of twenty overdue balances tested 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. In addition, as of March 3, 2006, the total overdue balances, excluding restitution was \$138,511. As of March 9, 2007, the total overdue balances, excluding restitution was \$171,874; an increase of \$33,363 or 24% in approximately one year.

ADAMS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Overdue Balances** (Concluded)

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 review the Overdue Case Account Report on an ongoing, timely basis and take action, when appropriate, to collect and/or resolve the balances overdue the County Court.

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ADAMS COUNTY COURT
INDEPENDENT AUDITORS' REPORT

Ms. Janice Walker, State Court Administrator
Nebraska Supreme Court
State Capitol, Room 1220
Lincoln, Nebraska 68509

We have audited the accompanying financial statement of Adams County Court as of and for the fiscal year ended June 30, 2006, as listed in the Table of Contents. The financial statement is the responsibility of the County 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 County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Adams 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 Adams County Court as of June 30, 2006, 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 March 15, 2007, on our consideration of Adams 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.

March 15, 2007


Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
ASSETS				
Cash and Deposits	\$ 126,591	\$ 1,174,773	\$ 1,127,161	\$ 174,203
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 16,619	\$ 153,608	\$ 158,322	\$ 11,905
Law Enforcement Fees	1,337	13,874	14,157	1,054
State Judges Retirement Fund	3,314	45,070	44,866	3,518
Court Administrative Fees	7,722	89,744	90,175	7,291
Legal Services Fees	3,736	49,304	48,954	4,086
Due to County Treasurer:				
Regular Fines	27,764	312,240	314,248	25,756
Overload Fines	1,025	10,025	10,125	925
Regular Fees	1,444	20,358	20,318	1,484
Petty Cash Fund	510	9,248	9,064	694
Due to Municipalities:				
Regular Fines	271	3,068	3,189	150
Regular Fees	436	4,409	4,636	209
Trust Fund Payable	62,413	463,825	409,107	117,131
Total Liabilities	\$ 126,591	\$ 1,174,773	\$ 1,127,161	\$ 174,203

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

ADAMS COUNTY COURT
NOTES TO FINANCIAL STATEMENT
For the Fiscal Year Ended June 30, 2006

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Adams 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 County 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 County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Adams 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 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. 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.

ADAMS COUNTY COURT
NOTES TO FINANCIAL STATEMENT
(Continued)

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

The carrying amounts and bank balances of total deposits, consisted of a checking account and a savings account, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 2006	\$ 174,203	\$ 530	\$ 173,673	\$ 184,248

These funds were entirely covered by federal depository insurance or by a single financial institution collateral pool, in which a financial institution pledged to the County Court participation in a pool of collateral against all the public deposits held by the financial institution.

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Auditor of Public Accounts



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**ADAMS 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**

Ms. Janice Walker, State Court Administrator
Nebraska Supreme Court
State Capitol, Room 1220
Lincoln, Nebraska 68509

We have audited the financial statement of Adams County Court as of and for the year ended June 30, 2006, and have issued our report thereon dated March 15, 2007. The report was modified to emphasize that the financial statement presents only the Agency Funds of Adams 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 Adams 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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Adams County Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the Comments Section of the report as Comment Number 1 (Segregation of Duties).

A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Adams 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 also noted certain additional matters that we reported to the management of Adams County Court in the Comments Section of this report as Comment Number 2 (Monthly Report Review) and Comment Number 3 (Overdue Balances).

This report is intended solely for the information and use of 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.

A handwritten signature in dark ink, reading "Dawn Hauffman CPA". The signature is fluid and cursive, with the letters "Dawn" and "Hauffman" connected, and "CPA" written in a slightly more formal, blocky style at the end.

Assistant Deputy Auditor

March 15, 2007