

**ATTESTATION REPORT
OF
OTOE COUNTY COURT
JULY 1, 2007 THROUGH JUNE 30, 2009**

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Issued on March 16, 2010

OTOE COUNTY COURT

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OTOE COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Otoe 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. ***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 Case Balances:*** We noted six overdue case balances where the County Court did not issue a warrant or suspension, or otherwise properly follow up for collection.

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. Where no response has been included, the County Court declined to respond. 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.

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

OTOE 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.

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.

Review of the County Court's bank accounts and trust balances noted the following:

- As of June 30, 2008, 3 checks, totaling \$98.39, in the County Court's checking account were outstanding in excess of three years. In January 2009, the County Court voided these checks and posted the money to the trust balance. As of February 25, 2010, the County Court had not paid these items over to the State Treasurer.
- As of June 30, 2009, 7 of 20 case balances tested, totaling \$1,014, had been inactive in excess of three years. As of February 25, 2010, the County Court had not researched and/or paid these items over to the State Treasurer.
- As of February 25, 2010, 2 of 10 non-case receipts tested which were receipted in February and March 2009, totaling \$409, had not yet been applied to a case.

OTOE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Unclaimed Property (Concluded)

There is an increased risk of loss, theft, or misuse when unclaimed property is not reported and remitted to the State Treasurer in accordance with the Unclaimed Property Act.

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

3. Overdue Case 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.

Six of ten overdue balances tested, totaling \$1,053, 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 adjustment of bonds to fines and costs.

As of February 20, 2010, overdue balances, excluding restitution, totaled \$103,123.

Without the 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 strongly 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 Overall Response: I have been working on old cases, receipts, outstanding checks, overdue actions, claims, etc. to try and get these issues resolved since my appointment in 2006 as well as trying to keep the recent cases current. I do not know why these issues were not found in previous audits but I do intend to resolve these issues as soon as possible. I will send in the funds that need to go to unclaimed property this year. I have sent in an Unclaimed Property Report every year since my appointment.

Since I was appointed I have had several staff members that have resigned and we have asked for more staff members a number of years. At the end of 2009 we were approved to share another staff member with Cass County. We have also implemented new procedures (E-filing, Imaging, Internet Payments) that take time to run efficiently. I feel that this staff does the best that they can to try and keep up with the paperwork that cases present.

OTOE COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

County Court's Overall Response (Concluded):

Below I have responded to each of the issues that were found:

*Check #3673 for \$1.50 was voided on 1/29/09. Should have been voided in 90 days. (5/24/05)
Check should have also been issued to DEF001 not INT001.*

Check #3900 for \$70.00 was voided on 1/29/09. Should have been voided in 90 days. (12/1/05)

Check #3909 for \$26.89 was voided on 1/29/09. Should have been voided in 90 days. (12/9/05).

CR. 03-650 (\$54.59) - check #3005 was voided on 12/22/03.

TR. 04-2244 - Bond has been forfeited. Case has an active warrant.

TR. 05-2366 - Applied earlier.

CR. 04-883 - working on it

CR. 05-900 - working on it

CR. 05-587 - working on it

TR. 05-2890 Issue of identity theft. Case was dismissed by County Attorney. Don't know who the money belongs to so we can't send to unclaimed property.

Receipt #75807 - will refund

*Receipt #76019 - Bond put into CR. 07-357. Bond refunded to ASN001 by check #6058.
Disposition occurred on 5/18/09.*

CR. 01-582 - Bond has been applied.

CR. 04-359 - Case has been paid in full.

CR. 09-1008 - Bond has been applied and balance refunded.

CR. 09-1405 - Bond has been applied.

TR. 07-2293 - working on it

TR. 09-108 - Costs have been adjusted.



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OTOE COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Otoe County Court as of and for the fiscal years ended June 30, 2009, and June 30, 2008. 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 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 Otoe County Court as of June 30, 2009, and June 30, 2008, 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 have also issued our report dated February 25, 2010, on our consideration of Otoe County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

February 25, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2009

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2009</u>
ASSETS				
Cash and Deposits	\$ 214,704	\$ 852,597	\$ 889,213	\$ 178,088
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 11,158	\$ 125,448	\$ 124,532	\$ 12,074
Law Enforcement Fees	939	9,524	9,671	792
State Judges Retirement Fund	3,634	37,817	38,442	3,009
Court Administrative Fees	6,220	55,780	57,132	4,868
Legal Services Fees	4,583	45,523	46,164	3,942
Due to County Treasurer:				
Regular Fines	40,852	352,895	364,283	29,464
Overload Fines	341	16,534	13,800	3,075
Regular Fees	978	10,616	10,326	1,268
Due to Municipalities:				
Regular Fines	225	3,948	3,298	875
Regular Fees	28	1,146	1,154	20
Trust Fund Payable	<u>145,746</u>	<u>193,366</u>	<u>220,411</u>	<u>118,701</u>
Total Liabilities	<u>\$ 214,704</u>	<u>\$ 852,597</u>	<u>\$ 889,213</u>	<u>\$ 178,088</u>

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2008

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2008</u>
ASSETS				
Cash and Deposits	\$ 255,323	\$ 954,377	\$ 994,996	\$ 214,704
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 14,755	\$ 140,293	\$ 143,890	\$ 11,158
Law Enforcement Fees	1,370	11,454	11,885	939
State Judges Retirement Fund	5,214	44,127	45,707	3,634
Court Administrative Fees	7,697	70,987	72,464	6,220
Legal Services Fees	5,995	53,585	54,997	4,583
Due to County Treasurer:				
Regular Fines	50,877	431,529	441,554	40,852
Overload Fines	5,125	26,392	31,176	341
Regular Fees	1,391	9,295	9,708	978
Due to Municipalities:				
Regular Fines	125	3,913	3,813	225
Regular Fees	117	816	905	28
Trust Fund Payable	<u>162,657</u>	<u>161,986</u>	<u>178,897</u>	<u>145,746</u>
Total Liabilities	<u>\$ 255,323</u>	<u>\$ 954,377</u>	<u>\$ 994,996</u>	<u>\$ 214,704</u>

The accompanying notes are an integral part of the schedule.

OTOE COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2009, and June 30, 2008

1. Criteria

A. Reporting Entity

The Otoe 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 Otoe 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.



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OTOE COUNTY COURT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have examined the accompanying Schedules of Otoe County Court as of and for the years ended June 30, 2009, and June 30, 2008, and have issued our report thereon dated February 25, 2010. We conducted our examination 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered Otoe County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedules, but not for the purpose of expressing an opinion on the effectiveness of the County Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting system and procedures prescribed by the Nebraska Supreme Court such that there is more than a remote likelihood that a misstatement of the entity's Schedules that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the Comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Segregation of Duties).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Schedules will not be prevented or detected by the County Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otoe County Court's Schedules are 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 Schedule 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 Otoe County Court in the Comments Section of this report as Comment Number 2 (Unclaimed Property) and Comment Number 3 (Overdue Case Balances).

The County Court's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the County Court's response and, accordingly, we express no opinion on it.

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

February 25, 2010

Deann Haeffner, CPA
Assistant Deputy Auditor