

**ATTESTATION REPORT  
OF  
JOHNSON COUNTY COURT  
JULY 1, 2010 THROUGH JUNE 30, 2012**

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**Issued on September 4, 2012**

# JOHNSON COUNTY COURT

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# JOHNSON COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of Johnson County Court, we noted a certain deficiency in internal control that we consider to be a material weakness 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. ***Bank Reconciliations:*** The County Court did not completely and accurately reconcile the County Court's bank account on a consistent basis.
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.
4. ***Non-Waiverable Court Costs:*** The County Court waived court costs which, according to State statute, were non-waiverable.
5. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure such balances were complete and accurate.
6. ***Bond Assignments:*** The County Court did not consistently document assignment of defendant appearance bonds to defendant's fines and/or court costs.

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.

# JOHNSON 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. Bank Reconciliations

Sound accounting practice and good internal control require complete, accurate, and timely reconciliation of monies on deposit with corresponding accounting records to ensure all errors, omissions, or irregularities that might occur are detected and resolved in a timely manner.

Review of the County Court's bank and accounting records noted the following:

- For 20 of the 24 attestation months, the County Court's monthly bank reconciliations had unidentified variances between the County Court's bank balance and its JUSTICE accounting records. The County Court did not attempt to identify or resolve these variances. The Auditor of Public Accounts (APA) performed a reconciliation of the County Court's bank account and determined the \$341 variance at June 30, 2012, related to deposit corrections by the County Court's bank in February 2011 (\$336) and January 2012 (\$5) which were not addressed by the County Court.
- For 3 months of the attestation period, no documentation was available to support any bank reconciliations being performed by the County Court.

When variances between the County Court's bank balance and its accounting records are not completely and accurately identified and resolved in a timely manner, there is an increased risk errors, omissions, or irregularities might occur and go undetected and/or unresolved.

# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Bank Reconciliations (Concluded)

This comment was also noted in the prior attestation.

We strongly recommend the County Court implement procedures to ensure complete, accurate, and timely completion of monthly bank reconciliations, including the identification and resolution of all variances noted.

*County Court's Response: This problem is a carryover from the prior audit which was performed in May, 2011, for the July 1, 2008 thru June 30, 2010 period. As I stated in the comments from that audit,*

*"The reconciliation function has primarily been handled by my Assistant Clerk, since I am only in Johnson County on court days and when my Clerk is on vacation. I did know that we had an issue with not being able to reconcile at one point early in the audit period. We worked with Sherri Dennis at the Court Administrator's Office and she helped us find the discrepancy which was the result of the bank charging for checks that we had previously paid by a claim with the county. After that point in time I was unaware that there were reports missing or that we had unexplained variances.*

*With the increased use of e-filing and e-payments, the task of reconciling has become more cumbersome. It appears that my Clerk had difficulty with this task and did not notify me. With regard to future reconciliations, I have asked my Clerk to contact me when the bank statements are received and I will take over the duties of reconciling (from Pawnee County by pass-thru, if need be). I have spoken with Sherri Dennis at the AOC, and she feels we will be able to resolve the noted problems for our next audit period. I do check the daily reports for variances, and pursuant to my conversation with the auditor, she does not feel that there are any funds missing."*

*As stated in the Auditors' comments, no documentation was available to support any bank reconciliations being performed by the County Court. These statements were already missing at the time the past audit was performed and could not be re-created. I worked diligently to find the discrepancies for the first 4 months of the current audit period (which was not an easy task, as my Clerk had voided a JRF check on Justice to reissue it, and had voided the wrong month's check in error). Sherri Dennis assisted me in this process, but due to court schedules and staffing coverage, I had not been able to complete the process.*

*The Auditors have provided assistance in reconciling and I have made the necessary adjustments so that we should have no difficulty reconciling after the end of August, 2012.*

# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 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.

During testing of nine overdue balances, seven, totaling \$1,440, 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 August 11, 2012, overdue balances, excluding restitution judgments, totaled \$10,898.

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.

This comment was also noted in the prior attestation.

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: I admit that this is an area where we are lacking follow-up in Johnson County. There are some staffing/coverage issues that played into this lack of follow-up (see County Court's General Response). I have since corrected some of these issues, but will need to work with Judge Timm to remedy others, as some of the Overdue Balances are as a result of funds not remitted to the court after they were collected by the previous Johnson County Sheriff. Some other deficiencies are as a result of not receiving jail returns from the previous Johnson County Sheriff's office.*

### 4. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2008) provides, when any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of § 24-703 (judges retirement fee), two dollars of the fee provided in § 33-107.01 (legal services fee), the court automation fee provided in § 33-107.03, and the uniform data analysis fee provided in § 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived.

During testing of case balances, as well as non-monetary receipts issued by the County Court, we noted two instances in which \$17 of non-waiverable court costs had been non-monetarily receipted by the County Court when issuing jail time receipts.

# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 4. Non-Waiverable Court Costs (Concluded)

As a result of these exceptions, the County Court is not in compliance with State statute.

We recommend all non-waiverable court costs be collected by the County Court in accordance with State statute.

*County Court's Response: I am not sure why my Clerk issued the receipts this way, but I have since corrected them, and will discuss the situation with her.*

### 5. Review of Trust Balances

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review and resolution of trust balances reflected on the County Court's monthly financial reports, including the Monthly Case Balance Report and Report of Non-Case Receipts. In addition, sound accounting practices require procedures be in place to ensure the complete, accurate, and timely posting of defendant payments to their respective cases.

During review of the County Court's fiscal year end trust balances, we noted the following:

- One instance in which a \$135 defendant appearance bond was declared forfeited in February 2011; however, the County Court has not adjusted the defendant's bond to the forfeiture general ledger account.
- Three balances, totaling \$369, in which defendants' appearance bond balances had not been disbursed by the County Court despite defendants having completed all obligations to the County Court.
- Two balances related to defendant overpayments of \$21 and \$45, which had been received by the County Court, had no subsequent attempts to refund these overpayments back to the defendants.
- One balance related to an instance in which a defendant had paid in full, via the Internet, a \$123 traffic citation; however, the County Court did not apply the defendant's payment against their fines/costs and, as a result, the defendant's drivers license was suspended for failure to pay.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 5. Review of Trust Balances (Concluded)

We recommend the County Court implement procedures to ensure trust balances are timely reviewed for completeness, accuracy, and proper disposition.

*County Court's Response: I admit that this is an area where we are lacking follow-up. Staffing/coverage issues played into this lack of follow-up (see the County Court's General Response). I have corrected the problems on the cases specifically noted by the Auditors.*

### 6. Bond Assignments

The Financial Procedures Manual, Bail/Bonds Checklist No. 9, *How to Apply a Bond to Pay Fines, Costs, Etc.*, as issued by the Office of the Nebraska State Court Administrator, requires defendant and/or assignee signature authorization for assignment of bond deposit and/or proceeds to fines, costs, restitution, other judgments, etc. In addition, sound accounting practices and good internal control require adequate procedures be in place to ensure statutory compliance.

Two of five assignments tested related to assignments of defendant bonds to fines/costs in which the County Court did not consistently document the assignment by either a Judge's journal entry or a defendant's written assignment.

When bond assignments are not consistently documented in writing, there is an increased risk of dispute of such assignments.

We recommend the County Court implement procedures to ensure all assignments are adequately supported.

*County Court's Response: It is Judge Timm's standard practice to apply the Defendants' Bond to Fines and Costs, unless specifically noted. It is our court's practice to indicate the application of the Defendant's bond to fines, costs, restitution, etc. on our DOCKET sheets generated from the courtroom. The two instances noted by the Auditors were cases where Judge Timm brought a previously prepared Probation Order with him and no Docket sheet was generated. The Probation Orders did not address the Defendant's bond, which I'm assuming that my Clerk did not notice. This should not be a problem in the future because of the new court directive regarding the Assignment of Bonds.*

*County Court's General Response: Due to limited staffing in Pawnee and Johnson County and in an effort to comply with the mileage reimbursement restrictions promulgated, my presence in Johnson County is at a minimum. We have been asked to do more and more with less staff.*



# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

*County Court's General Response, Concluded:*

*In addition to the normal staffing dilemma, my Assistant Clerk was out of the office on FMLA the month of November, 2011; worked a total of four days during December, 2011; worked less than 10 days during January, 2012; and worked 15 days in February, 2012.*

*During the months of November and December, I had no assistance at either the Pawnee or Johnson County Courts. In addition, with the increased requirements governing guardians and conservators which went into effect on January 1, 2012, I have not had the needed time to provide the follow up on the Johnson County cases, that I would have liked. I will do my best to improve, and will have discussions with my Clerk regarding the importance of follow up and the need for increased accuracy.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### JOHNSON COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

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

August 14, 2012

Pat Reding, CPA, CFE  
Assistant Deputy Auditor

**JOHNSON COUNTY COURT**  
**TECUMSEH, 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>
<b>ASSETS</b>				
Cash and Deposits	\$ 18,389	\$ 120,985	\$ 122,198	\$ 17,176
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,783	\$ 19,423	\$ 19,861	\$ 1,345
Law Enforcement Fees	180	1,928	1,956	152
State Judges Retirement Fund	564	6,246	6,334	476
Court Administrative Fees	1,104	10,216	10,112	1,208
Legal Services Fees	636	6,698	6,782	552
Due to County Treasurer:				
Regular Fines	4,385	48,309	48,529	4,165
Overload Fines	-	2,050	2,050	-
Regular Fees	374	1,750	2,092	32
Due to Municipalities:				
Regular Fines	150	871	846	175
Trust Fund Payable	9,213	23,494	23,636	9,071
Total Liabilities	<u>\$ 18,389</u>	<u>\$ 120,985</u>	<u>\$ 122,198</u>	<u>\$ 17,176</u>

The accompanying notes are an integral part of the schedule.

**JOHNSON COUNTY COURT**  
**TECUMSEH, 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>
<b>ASSETS</b>				
Cash and Deposits	\$ 17,658	\$ 175,580	\$ 174,849	\$ 18,389
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,844	\$ 23,101	\$ 23,162	\$ 1,783
Law Enforcement Fees	145	2,088	2,053	180
State Judges Retirement Fund	547	7,012	6,995	564
Court Administrative Fees	950	14,892	14,738	1,104
Legal Services Fees	595	7,460	7,419	636
Due to County Treasurer:				
Regular Fines	3,855	47,871	47,341	4,385
Overload Fines	-	7,300	7,300	-
Regular Fees	29	4,273	3,928	374
Due to Municipalities:				
Regular Fines	-	475	325	150
Regular Fees	-	14	14	-
Trust Fund Payable	<u>9,693</u>	<u>61,094</u>	<u>61,574</u>	<u>9,213</u>
Total Liabilities	<u>\$ 17,658</u>	<u>\$ 175,580</u>	<u>\$ 174,849</u>	<u>\$ 18,389</u>

The accompanying notes are an integral part of the schedule.

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

**1. Criteria**

**A. Reporting Entity**

The Johnson 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 Johnson 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.