

**ATTESTATION REPORT
OF
HALL COUNTY COURT**

JANUARY 1, 2018, THROUGH DECEMBER 31, 2019

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on March 25, 2020

HALL COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comment Section</u>	
Comment and Recommendation	1 - 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 Calendar Year Ended December 31, 2019	5
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2018	6
Notes to Financial Schedules	7

HALL COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Hall County Court, we noted a certain deficiency and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a material weakness.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and to provide reliable financial records. A system of internal control should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

The County Court's system lacks an adequate segregation of duties. Therefore, employees with system access are able to perform all procedures without a secondary individual being required to approve those transactions. Additionally, the County Court lacked a sufficient segregation of duties, as one person was capable of handling all aspects of processing transactions from beginning to end. In an attempt to address the concern, the County Court established compensating procedures to segregate duties between staff; however, two individuals were still able to perform all procedures of the County Court.

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 may not be possible without additional cost. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have included this comment in previous attestations.

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.

Clerk Magistrate's Response: We had multiple staffing changes during this time period. The two individuals that are being referred to as having access to perform all procedures of the County Court changed job duties during the course of this audit time, which in turn changed their security administration. Of the two individual's one was promoted from the Accounting Clerk to the Clerk Magistrate in August of 2018, thus giving her administrator authority once promoted to providing all job functions as required of the Court on a necessity basis. The Clerk Magistrate still acted as the Accounting Clerk until October of 2018 due to staffing shortage.

The other individual was promoted in August of 2018 from a Records Clerk to Assistant Clerk II, doing the job duties of the Accounting Clerk. As a Records Clerk, this individual did receipt in cash and check payments, the one example that was supplied was a receipt from July 18th, 2018. In October of 2018, after becoming fully staffed, her JUSTICE authorities were changed removing her authority to accept any monetary receipts and removing her JUSTICE issued cash drawer. The documentation of the removal of the authority was provided to the Audit Manager.

When the Audit Manager informed me that she would be including Segregation of Duties as a recommendation on our Attestation Report, I then in turn asked for further explanation. The response I received was "In order to attempt to segregate outside of JUSTICE an individual with no access would need to be performing the bank reconciliations, reviewing reports, reviewing voids/adjustments/non-mons, deposits, checks, etc. on a test basis." It is not possible to have an employee who does not have access to JUSTICE reconcile the bank account, review reports, review receipts, deposits and issue checks as all of these functions are done/issued through JUSTICE.

We will continue to strive for as much segregation of duties as the Court reasonably allows.

HALL COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

APA Response: As noted above, the compensating controls established by the County Court were not sufficient to establish an adequate segregation of duties as the procedures would not have prevented certain individuals from performing all phases of a transaction from beginning to end. As discussed with the County Court, when an individual has full access to perform all phases of a transaction, review reports, and perform the bank reconciliations without documented secondary reviews, there is an increased risk for errors or irregularities to occur and go undetected.

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 County Court.

Draft copies of this report were furnished to the County Court to provide management 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 it will be verified in the next examination.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

HALL COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Hall County Court
Grand Island, Nebraska 68801

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Hall County Court as of and for the calendar years ending December 31, 2018, and December 31, 2019. The County Court's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules 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. Those standards require that we perform the examination to obtain reasonable assurance about whether the Schedules are based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar years ending December 31, 2018, and December 31, 2019, are based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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 that finding, along with the views of management, is described in the Comment Section of the report.

The purpose of this report is to express an opinion on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

March 25, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

HALL COUNTY COURT
 GRAND ISLAND, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar Year Ended December 31, 2019

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
ASSETS				
Cash and Deposits	\$ 297,351	\$ 2,353,876	\$ 2,346,358	\$ 304,869
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 19,159	\$ 279,271	\$ 275,444	\$ 22,986
Law Enforcement Fees	2,004	24,774	24,313	2,465
State Judges Retirement Fund	11,020	132,712	130,664	13,068
Court Administrative Fees	10,882	132,601	130,716	12,767
Legal Services Fees	8,680	104,694	103,437	9,937
Due to County Treasurer:				
Regular Fines	39,518	543,129	530,919	51,728
Overload Fines	1,650	18,850	19,650	850
Regular Fees	3,944	49,150	48,523	4,571
Petty Cash Fund	825	-	-	825
Municipality Fines	6,996	72,336	74,719	4,613
Due to Municipalities:				
Regular Fees	1,641	15,177	15,543	1,275
Trust Fund Payable	191,032	981,182	992,430	179,784
Total Liabilities	\$ 297,351	\$ 2,353,876	\$ 2,346,358	\$ 304,869

The accompanying notes are an integral part of the schedule.

HALL COUNTY COURT
 GRAND ISLAND, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and Deposits	\$ 409,268	\$ 2,499,137	\$ 2,611,054	\$ 297,351
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 22,142	\$ 288,699	\$ 291,682	\$ 19,159
Law Enforcement Fees	2,226	26,340	26,562	2,004
State Judges Retirement Fund	11,337	137,380	137,697	11,020
Court Administrative Fees	11,557	138,012	138,687	10,882
Legal Services Fees	9,060	108,966	109,346	8,680
Due to County Treasurer:				
Regular Fines	51,643	606,326	618,451	39,518
Overload Fines	2,526	34,048	34,924	1,650
Regular Fees	4,090	68,609	68,755	3,944
Petty Cash Fund	825	-	-	825
Municipality Fines	6,661	82,842	82,507	6,996
Due to Municipalities:				
Regular Fees	1,384	18,186	17,929	1,641
Trust Fund Payable	285,817	989,729	1,084,514	191,032
Total Liabilities	\$ 409,268	\$ 2,499,137	\$ 2,611,054	\$ 297,351

The accompanying notes are an integral part of the schedule.

HALL COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2018, and December 31, 2019

1. Criteria

A. Reporting Entity

The Hall 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 Hall 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 or collected. 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 2016). 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 2018) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.