

**ATTESTATION REPORT
OF
FURNAS COUNTY COURT**

JANUARY 1, 2019, THROUGH DECEMBER 31, 2020

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Issued on April 16, 2021

FURNAS COUNTY COURT

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FURNAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Furnas County Court, we noted certain deficiencies and other operational matters that are presented here. Comment #1, "Segregation of Duties," is considered to be a material weakness and is required to be reported in accordance with *Government Auditing Standards*.

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:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Pledged Security:*** Furnas County Court had deposits in excess of amounts insured by the Federal Deposit Insurance Corporation, which were not covered by pledged securities.

More detailed information on the above items is provided hereinafter. 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 management with 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. 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 they will be verified in the next examination.

FURNAS 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 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.

We noted that the office of the County Court lacked a sufficient segregation of duties. Specifically, 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 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 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.

County Court's Response: The Judicial Branch does not have the financial and human resources to meet audit guidelines for segregation of duties in all county courts. To reduce the risk of improper transactions, court financial specialists regularly review records and provide assistance to county courts.

2. **Insufficient Pledged Collateral**

Neb. Rev. Stat. § 77-2326.04 (Reissue 2018) provides, in relevant part, the following:

No deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.

The County Court had deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) for 17 days. Those excess deposits, which ranged from \$59,297 to \$222,328, were not covered by pledged securities. This occurred because the County Court received a \$300,000 bond on March 3, 2020, and then on March 20, 2020, disbursed \$270,000.

Good internal control includes procedures to ensure that deposits in excess of amounts insured by the FDIC are adequately safeguarded from loss.

Without such procedures, there is an increased risk of not only funds being lost upon the financial failure of the institution in which they are deposited but also noncompliance with State statute.

We recommend the County Court implement procedures to ensure all monies on deposit at financial institutions in excess of amounts insured by FDIC coverage are protected from loss by pledged securities.

County Court's Response: It is extremely rare for Furnas County Court to have deposits that exceed the amount insured by the Federal Deposit Insurance Corporation. Going forward anytime the deposits do exceed the Federal Deposit Insurance Corporation limit pledged securities will be secured for those amounts.



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FURNAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Furnas County Court
Beaver City, Nebraska 68926

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Furnas County Court as of and for the calendar years ending December 31, 2019, and December 31, 2020. 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, 2019, and December 31, 2020, 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 Comments 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.

April 8, 2021

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2020

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
ASSETS				
Cash and Deposits	\$ 18,294	\$ 700,394	\$ 669,541	\$ 49,147
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 914	\$ 75,029	\$ 73,287	\$ 2,656
Law Enforcement Fees	144	1,214	1,287	71
State Judges Retirement Fund	751	7,550	7,858	443
Court Administrative Fees	1,535	9,303	10,390	448
Legal Services Fees	593	5,983	6,184	392
Due to County Treasurer:				
Regular Fines	1,396	17,503	16,814	2,085
Overload Fines	-	550	450	100
Regular Fees	805	1,099	1,815	89
Petty Cash Fund	100	-	-	100
Municipality Fines	-	660	660	-
Trust Fund Payable	12,056	581,503	550,796	42,763
Total Liabilities	\$ 18,294	\$ 700,394	\$ 669,541	\$ 49,147

The accompanying notes are an integral part of the schedule.

FURNAS COUNTY COURT
 BEAVER CITY, 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	\$ 36,333	\$ 156,389	\$ 174,428	\$ 18,294
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 4,164	\$ 26,909	\$ 30,159	\$ 914
Law Enforcement Fees	291	1,467	1,614	144
State Judges Retirement Fund	1,659	8,745	9,653	751
Court Administrative Fees	1,399	12,245	12,109	1,535
Legal Services Fees	1,092	6,498	6,997	593
Due to County Treasurer:				
Regular Fines	3,050	19,940	21,594	1,396
Overload Fines	-	2,175	2,175	-
Regular Fees	29	5,231	4,455	805
Petty Cash Fund	100	-	-	100
Municipality Fines	65	521	586	-
Trust Fund Payable	24,484	72,658	85,086	12,056
Total Liabilities	\$ 36,333	\$ 156,389	\$ 174,428	\$ 18,294

The accompanying notes are an integral part of the schedule.

FURNAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2019, and December 31, 2020

1. Criteria

A. Reporting Entity

The Furnas 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 Furnas 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.