

**ATTESTATION REPORT
OF
DAKOTA COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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Issued on July 27, 2022

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DAKOTA COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2021	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2020	7
Notes to Financial Schedules	8

DAKOTA COUNTY COURT

SUMMARY OF COMMENTS

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

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. ***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.

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.

DAKOTA 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, as one person was capable of handling all aspects of processing transactions from beginning to end. Additionally, staff could create and issue orders affixed with the Judge's signature in the JUSTICE (Judicial User System to Improve Court Efficiency) application without formal documentation to support that the Judge approved the order. That same staff had access to court receipts and were able to record non-monetary transactions (e.g., waiving fines) in JUSTICE.

The following errors were noted:

- One receipt for \$124, received in July 2019, was not refunded back to the payee until February 2020.
- Two criminal cases tested had probation fees, totaling \$560, that were not handled appropriately by the Court. Probation fees on one case, totaling \$200, were waived incorrectly in February 2022, instead of showing as a remaining balance due from the defendant. Probation fees on the second case, totaling \$360, were not waived in a timely manner. No action was taken on this case from January 2021 until April 2022, when the fees were waived.
- One bond balance, totaling \$450, was forfeited in December 2020, but was not applied to fines/fees/forfeiture until February 2022.

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. We also recommend the Supreme Court implement procedures to ensure that each Judge's approval of orders is formally documented.

County Court's Response: The Administrative Office of the Courts and Probation (AOCP) accepts that there is a risk from one person having the authority to initiate and complete financial transactions. To reduce the risk of improper transactions, court financial specialists review court records and provide assistance to county courts if there are discrepancies. However, the Judicial Branch does not have the financial and human resources to mitigate all risks related to segregation of duties sufficient to meet current audit guidelines. As a result, in order to fulfill all statutory obligations, the AOCP has determined that all clerk magistrates will have the authority to operate all financial functions of a court.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Supp. 2021) requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

DAKOTA COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Unclaimed Property** (Concluded)

During the audit, it was noted that 32 checks, totaling \$1,878, were outstanding for over three years. Twenty-eight of those checks, totaling \$1,805, were subsequently remitted in October 2021; however, the remaining four checks, with issue dates from July 2015 through July 2016, totaling \$73, were still held at the time of fieldwork in March 2022.

We recommend the County Court work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

County Court's Response: The court did err in not timely submitting 32 outstanding checks as required to Unclaimed Property. Once I realized that this task had not been completed as required, I did go over all outstanding checks and transferred the money to unclaimed property except for four checks. As of July 5, 2022, there were two checks left on the list. One case had been purged and had to be added back into Justice so I could transfer the money. The remaining check is a restitution payment to Hy-Vee. I have spoken with their accounting department, and I have emailed an Affidavit of Lost Check for them to complete, once I receive this form, I will reissue a new check to Hy-Vee. The Court will promptly submit all unclaimed property, including all outstanding checks that have not been cashed for three years prior to June 30th of each year, to the State Treasurer as required by statute.



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DAKOTA COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Dakota County Court
Dakota City, Nebraska 68731

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Dakota County Court as of and for the calendar years ending December 31, 2020, and December 31, 2021. The County Court's management is responsible for the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions 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 plan and perform the examination to obtain reasonable assurance about whether the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar years ending December 31, 2020, and December 31, 2021, 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; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance. 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 Schedules 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.

July 21, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2021

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
ASSETS				
Cash and Deposits	\$ 226,213	\$ 1,108,088	\$ 1,017,443	\$ 316,858
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 9,434	\$ 102,647	\$ 105,658	\$ 6,423
Law Enforcement Fees	605	6,704	6,686	623
State Judges Retirement Fund	2,899	32,837	32,446	3,290
Court Administrative Fees	5,513	54,959	56,219	4,253
Legal Services Fees	2,320	25,041	25,128	2,233
Due to County Treasurer:				
Regular Fines	16,113	276,006	260,978	31,141
Overload Fines	75	22,275	16,050	6,300
Regular Fees	1,999	82,046	74,184	9,861
Petty Cash Fund	150	-	-	150
Municipality Fines	500	1,940	2,390	50
Due to Municipalities:				
Regular Fees	-	2,085	2,050	35
Trust Fund Payable	186,605	501,548	435,654	252,499
Total Liabilities	\$ 226,213	\$ 1,108,088	\$ 1,017,443	\$ 316,858

The accompanying notes are an integral part of the schedule.

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

For the Calendar Year Ended December 31, 2020

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
ASSETS				
Cash and Deposits	\$ 103,060	\$ 754,502	\$ 631,349	\$ 226,213
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 5,656	\$ 83,631	\$ 79,853	\$ 9,434
Law Enforcement Fees	511	5,689	5,595	605
State Judges Retirement Fund	2,393	27,410	26,904	2,899
Court Administrative Fees	2,445	42,556	39,488	5,513
Legal Services Fees	1,941	22,060	21,681	2,320
Due to County Treasurer:				
Regular Fines	14,144	186,693	184,724	16,113
Overload Fines	7,050	7,000	13,975	75
Regular Fees	3,742	38,774	40,517	1,999
Petty Cash Fund	150	-	-	150
Municipality Fines	100	2,950	2,550	500
Due to Municipalities:				
Regular Fees	35	717	752	-
Trust Fund Payable	64,893	337,022	215,310	186,605
Total Liabilities	\$ 103,060	\$ 754,502	\$ 631,349	\$ 226,213

The accompanying notes are an integral part of the schedule.

DAKOTA COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2020, and December 31, 2021

1. Criteria

A. Reporting Entity

The Dakota 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 Custodial 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 Dakota County.

B. Basis of Accounting

The accounting records of the County Court Custodial 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.