

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT**

JANUARY 1, 2021, THROUGH DECEMBER 31, 2021

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Issued on August 17, 2022

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LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Lancaster 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. ***Monthly Case Balances:*** Seven case balances, totaling \$11,475, did not have documentation to support that follow-up was performed timely, or even at all, to resolve those balances.

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.

LANCASTER 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 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. 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.

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 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.

The Administrative Office of the Courts and Probation (AOCP) understands that there is a risk related to the ability of someone other than the judge applying the judge's signature to an order within the DOCKET subsystem of JUSTICE, the court's case management system. This level of access is granted only to employees who work directly with the judges in and outside of the courtroom and only with the judge's approval and oversight. This electronic signature process is put into place to digitize and streamline the court process. The AOCP has determined no further action will be taken at this time, based on an evaluation of the level of risk, current IT priorities and resources, and a review of compensating controls and practices.

Lancaster County Court along with AOCP understands the absolute importance of segregation of duties.

2. Monthly Case Balances

During testing, we noted that seven case balances for bond appearances listed in the Monthly Case Balance Report did not have documentation on file to support that follow-up was performed timely, if at all, to resolve those balances.

- One case balance of \$4,500 had not been followed up on since a warrant was issued in June 2016, at which time it was also noted that the defendant may be in the custody of the U. S. Immigration and Customs Enforcement.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Monthly Case Balances** (Concluded)

- One case balance of \$2,250 had not been followed up on since it was noted in March 2016 that the defendant was deported to Mexico. A warrant was issued in December 2015, and the defendant owes \$20 per JUSTICE.
- One case balance of \$2,250 had not been followed up on since a warrant was issued in October 2017, at which time it was also noted that the the defendant was in the custody of U. S. Immigration and Customs Enforcement.
- One case balance of \$1,350 had not been followed up on since August 2020, when it was noted that the defendant was to be released from Federal prison in May 2021. A warrant was issued in May 2015.
- One case balance of \$675 had not been followed up on since a warrant was issued in April 2017. The defendant owes \$140 per JUSTICE.
- One case balance of \$225 had not been followed up on since a warrant was issued in August 2017. The warrant was reissued in July 2020.
- One case balance of \$225 had not been followed up on since a warrant was issued in June 2019. The defendant owes \$648 per JUSTICE.

Good internal controls require procedures to ensure that case balances are reviewed, and the appropriate follow up is performed.

Without such procedures, there is an increased risk that funds received by the County Court will not be paid to the appropriate recipients in a timely manner.

We recommend the implementation of procedures to ensure that the County Court maintains adequate supporting documentation to support the timely follow-up of case balances.

County Court's Response: Staff do review the case balance report and take appropriate action/follow up. The balances identified in this report were bonds. Staff will continue to follow the direction/policy of Lancaster County Court Judges regarding bonds.



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LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Lancaster County Court
Lincoln, Nebraska 68508

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lancaster County Court as of and for the calendar year ending December 31, 2021. The County Court's management is responsible for the Schedule 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 Schedule 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 perform the examination to obtain reasonable assurance about whether the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions is 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 Schedule 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 Schedule 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar year ending December 31, 2021, is 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to 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. 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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 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.

August 8, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

LANCASTER COUNTY COURT
LINCOLN, 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	\$ 2,301,272	\$ 10,768,848	\$ 10,627,426	\$ 2,442,694
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 37,197	\$ 926,559	\$ 932,310	\$ 31,446
Law Enforcement Fees	3,922	87,018	88,123	2,817
State Judges Retirement Fund	20,650	475,800	478,753	17,697
Court Administrative Fees	21,539	524,551	528,398	17,692
Legal Services Fees	15,713	350,630	354,763	11,580
Due to County Treasurer:				
Regular Fines	39,543	1,150,643	1,147,298	42,888
Overload Fines	3,225	52,223	53,323	2,125
Regular Fees	4,184	333,203	335,831	1,556
Petty Cash Fund	950	50	-	1,000
Municipality Fines	56,182	1,264,173	1,277,582	42,773
Due to Municipalities:				
Regular Fees	2,286	108,044	106,604	3,726
Trust Fund Payable	2,095,881	5,495,954	5,324,441	2,267,394
Total Liabilities	\$ 2,301,272	\$ 10,768,848	\$ 10,627,426	\$ 2,442,694

The accompanying notes are an integral part of the schedule.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Calendar Year Ending December 31, 2021

1. Criteria

A. Reporting Entity

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

B. Basis of Accounting

The accounting records of the County Court Custodial Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions has 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.