

**ATTESTATION REPORT
OF
LINCOLN COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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LINCOLN COUNTY COURT

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LINCOLN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Lincoln 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. ***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.

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.

LINCOLN 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. We further noted Lincoln County Court access had also been given to seven other Clerk Magistrates within the district who were not employees of the County Court.

The following errors were noted:

- Investment interest, totaling \$1,549, was not recorded in a timely manner. Interest was earned on an investment account from November 2018 through July 2021 but was not recorded in JUSTICE until the closing of the account in August 2021.
- Three receipts, totaling \$1,172, were voided without adequate documentation on file to support the void.
- One bond receipt for \$401 was applied to fines and costs without documentation directing that application.
- Two cases tested had a \$75 fee and a \$50 fee assessed for a breath test; however, there was no documentation on file supporting that these were the correct amounts to be assessed.
- During testing of checks, we noted that one check for \$50 was improperly refunded to the defendant, and two cases that had bonds reduced did not have the bond fees, totaling \$75, correctly refunded.

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. Additionally, we recommend the implementation of procedures to record investment interest in a timely manner and maintain adequate documentation to support amounts being receipted or voided.

County Court's Response: The Administrative Office of the Courts and Probation (AOC) 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 AOC has determined that all clerk magistrates will have the authority to operate all financial functions of a court.

Policies have been established to ensure that there is sufficient documentation regarding receipts, fees and bonds. In addition, interest will be recorded in a timely manner in future investment accounts.

LINCOLN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Overdue Balances**

During testing of seven overdue balances listed in the Overdue Case Account reports, we noted that the Court failed to take action – such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible – to collect or otherwise resolve six of those case balances, totaling \$9,982. Four of the balances, totaling \$8,660, were for liquidated damages due to the Nebraska Game and Parks Commission.

As of April 28, 2022, all overdue balances, excluding restitution judgments, totaled \$36,163.

Additionally, the following was noted:

- There was no documentation to support how one case balance, totaling \$700, was assessed.
- For one case balance, an entry that assessed \$17 was deleted rather than waived.

Neb. Rev. Stat. § 37-613(3) (Cum. Supp. 2020) states the following, in relevant part:

Such damages may be collected by the commission by civil action. In every case of conviction for any of such offenses, the court or magistrate before whom such conviction is obtained shall further enter judgment in favor of the State of Nebraska and against the defendant for liquidated damages in the amount set forth in this section and collect such damages by execution or otherwise. Failure to obtain conviction on a criminal charge shall not bar a separate civil action for such liquidated damages. Damages collected pursuant to this section shall be remitted to the secretary of the commission who shall remit them to the State Treasurer for credit to the State Game Fund.

Good internal control and sound business practices require procedures to ensure that overdue balances of the County Court are reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or resolve those balances.

Without such procedures, there is an increased risk of overdue case balances either not having proper follow-up action taken or having been previously resolved and no longer needing to be designated as overdue in the Overdue Case Account reports.

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances. Additionally, we recommend the County Court strengthen procedures to document how case balances are assessed and ensure fees are not deleted from JUSTICE.

County Court's Response: It is the position of the Administrative Office of the Courts and Probation (AOCP) that Neb. Rev. Stat. 37-613 does not create a duty for a court to enforce collection of liquidated damages. Courts will remit any funds received to the Nebraska Game and Parks Commission.

Policies have been put in place to address the issues identified in the audit.

APA Response: Neb. Rev. Stat. § 37-613(3) (Cum. Supp. 2020) says the following, in relevant part:

In every case of conviction for any of such offenses, the court or magistrate before whom such conviction is obtained shall further enter judgment in favor of the State of Nebraska and against the defendant for liquidated damages in the amount set forth in this section and collect such damages by execution or otherwise.

(Emphasis added.) Consequently, pursuant to the plain language of § 37-613(3), the Court is required not only to enter judgment against the defendant for liquidated damages arising from a conviction for the illegal selling, purchasing, taking, or possessing of any wildlife but also to “collect such damages by execution or otherwise.” Both the entering of the judgment for liquidated damages and the collection thereof are statutorily mandated upon the Court.



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LINCOLN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Lincoln County Court
North Platte, Nebraska 69101

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Lincoln 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. Janssen", with a long horizontal flourish extending to the right.

August 12, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

LINCOLN COUNTY COURT
NORTH PLATTE, 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	\$ 302,124	\$ 1,566,808	\$ 1,675,596	\$ 193,336
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 16,758	\$ 166,723	\$ 173,034	\$ 10,447
Law Enforcement Fees	1,153	13,456	13,679	930
State Judges Retirement Fund	6,447	79,927	79,884	6,490
Court Administrative Fees	8,286	107,658	107,537	8,407
Legal Services Fees	5,024	57,005	57,880	4,149
Due to County Treasurer:				
Regular Fines	22,492	272,962	276,666	18,788
Overload Fines	1,601	40,873	40,974	1,500
Regular Fees	762	60,812	48,566	13,008
Petty Cash Fund	650	-	-	650
Municipality Fines	529	8,888	8,593	824
Due to Municipalities:				
Regular Fees	285	5,480	5,565	200
Trust Fund Payable	238,137	753,024	863,218	127,943
Total Liabilities	\$ 302,124	\$ 1,566,808	\$ 1,675,596	\$ 193,336

The accompanying notes are an integral part of the schedule.

LINCOLN COUNTY COURT
 NORTH PLATTE, 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	\$ 304,895	\$ 1,592,476	\$ 1,595,247	\$ 302,124
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 13,772	\$ 173,093	\$ 170,107	\$ 16,758
Law Enforcement Fees	1,265	14,245	14,357	1,153
State Judges Retirement Fund	6,890	77,335	77,778	6,447
Court Administrative Fees	9,157	107,404	108,275	8,286
Legal Services Fees	5,489	59,844	60,309	5,024
Due to County Treasurer:				
Regular Fines	24,058	290,242	291,808	22,492
Overload Fines	4,501	62,803	65,703	1,601
Regular Fees	886	26,488	26,612	762
Petty Cash Fund	550	100	-	650
Municipality Fines	978	7,553	8,002	529
Due to Municipalities:				
Regular Fees	970	2,125	2,810	285
Trust Fund Payable	236,379	771,244	769,486	238,137
Total Liabilities	\$ 304,895	\$ 1,592,476	\$ 1,595,247	\$ 302,124

The accompanying notes are an integral part of the schedule.

LINCOLN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Lincoln 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 Lincoln 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.