

**ATTESTATION REPORT
OF
MADISON COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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MADISON COUNTY COURT

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MADISON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Madison 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.

MADISON 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 that Madison County Court access had also been given to four other Clerk Magistrates within the district who were not employees of the Madison County Court.

Additionally, the following errors were noted:

- Two claims tested, one for \$102 from December 2020 and one for \$340 from February 2021, had not been submitted to the County for reimbursement.
- For four cases tested, the County Court did not apply the bond payments in accordance with the court orders. Two bonds, each for \$900, were applied to fines and costs, with the remainder refunded to the defendant; however, the order did not direct the bond to be applied to fines and costs. Furthermore, after this was brought to the County Court's attention, the Clerk Magistrate manually amended the order by labelling it "Amended" and correcting therein how the bonds were to be applied; however, the initial order with the judge's original signature was used. One bond for \$1,800 was applied to restitution instead of the fines and costs as ordered. Finally, the last bond for \$900 was supposed to be applied to fines and costs; however, \$20 of it was returned to the defendant while there was still \$90 of costs remaining.
- Two bonds, each for \$270, were not forfeited timely. Both bonds were ordered to be forfeited in September 2020 but were not forfeited until January 2021. Additionally, for one of those cases, \$75 received by the defendant in June 2020 was not determined to be refunded to the defendant until April 2021.
- One balance of \$1,800 was released to the defendant when it was ordered to be released to a different individual.
- One receipt of \$50 received in November 2021 for a judgment was not remitted to the plaintiff until April 2022.
- One receipt of \$11 was paid back to the defendant in June 2021; however, a satisfaction was not filed on the case until October 2021, so it is unclear why the money was not remitted to the plaintiff.
- Two nonmonetary receipts, totaling \$2,179, did not have documentation on file to support the waiver of those costs. Additionally, one of those cases had \$18 remaining, even though a satisfaction had been filed in February 2021.

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.

MADISON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Segregation of Duties** (Concluded)

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.

2. **Overdue Balances**

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

During testing of seven overdue balances, four balances, totaling \$274, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible.

Additionally, two cases had \$53 in costs due from the plaintiffs in April 2021 and July 2021, but no follow-up had been performed to collect those fees. Two case balances, totaling \$221, were ordered waived in August 2021; however, as of the date of our testing, the amounts still appeared as being due.

As of May 31, 2022, overdue balances, excluding restitution judgments, totaled \$53,679.

Without a regular review of overdue case balances, there is an increased risk that such balances may either not have proper follow-up action taken or have been previously resolved and should no longer be reflected as overdue.

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.

County Court's Response: This letter is in response to the draft copy of the attestation report for Madison County. I want you to know that I was appointed as Clerk Magistrate on November 1, 2020. Therefore, some of the errors you are noting were beyond my control. However, I would address some of the errors you noted, and the steps I have done to correct them. I was unaware of the Overdue Balances report and after being made aware of it this is something I will do on a regular basis. The prior clerk had a policy of applying any bond money to restitution before fines and court costs. Again, that has been changed to receipt the bond according to the journal entry. When going thru the audit, I responded with answers to the errors you mention in your report.

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 specialist 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 risk 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.

The Administrative Office of Courts and Probation (AOC) 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

MADISON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

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 put into place to digitize and streamline the court process. The AOCB 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.

The Clerk Magistrates in the Seventh Judicial District have been given authority to provide coverage in other courts by the three judges. Clerk Magistrates are county court employees but employed by the state. The AOCB job descriptions for clerk magistrate includes expectations that may assist in other courts other than their primary court.



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MADISON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Madison County Court
Madison, Nebraska 68748

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Madison 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 15, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

MADISON COUNTY COURT
MADISON, 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	\$ 654,662	\$ 1,235,339	\$ 1,700,245	\$ 189,756
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 10,114	\$ 127,075	\$ 128,359	\$ 8,830
Law Enforcement Fees	839	12,719	12,645	913
State Judges Retirement Fund	4,197	62,368	61,643	4,922
Court Administrative Fees	7,017	83,756	84,114	6,659
Legal Services Fees	3,513	46,826	47,027	3,312
Due to County Treasurer:				
Regular Fines	14,895	289,356	278,844	25,407
Overload Fines	300	3,200	3,475	25
Regular Fees	1,264	14,098	14,622	740
Petty Cash Fund	500	-	-	500
Municipality Fines	6,970	100,875	100,184	7,661
Due to Municipalities:				
Regular Fees	334	5,392	4,865	861
Trust Fund Payable	604,719	489,674	964,467	129,926
Total Liabilities	\$ 654,662	\$ 1,235,339	\$ 1,700,245	\$ 189,756

The accompanying notes are an integral part of the schedule.

MADISON COUNTY COURT
MADISON, 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	\$ 539,007	\$ 1,321,346	\$ 1,205,691	\$ 654,662
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 10,410	\$ 129,473	\$ 129,769	\$ 10,114
Law Enforcement Fees	824	11,174	11,159	839
State Judges Retirement Fund	4,120	53,513	53,436	4,197
Court Administrative Fees	5,331	76,306	74,620	7,017
Legal Services Fees	3,238	42,799	42,524	3,513
Due to County Treasurer:				
Regular Fines	20,442	229,935	235,482	14,895
Overload Fines	3,000	3,525	6,225	300
Regular Fees	588	13,290	12,614	1,264
Petty Cash Fund	500	-	-	500
Municipality Fines	3,623	83,828	80,481	6,970
Due to Municipalities:				
Regular Fees	105	3,764	3,535	334
Trust Fund Payable	486,826	673,739	555,846	604,719
Total Liabilities	\$ 539,007	\$ 1,321,346	\$ 1,205,691	\$ 654,662

The accompanying notes are an integral part of the schedule.

MADISON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Madison 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 Madison 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.