

**ATTESTATION REPORT
OF
POLK COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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POLK COUNTY COURT

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POLK COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Polk County Court, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #2, "State Treasurer Payments," which is considered to be a significant deficiency, and 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. ***State Treasurer Payments:*** The County Court did not remit collected fees to the State Treasurer within 10 days of the end of the month, 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. Where no response has been included, the County Court declined to respond. 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.

POLK 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 County Court access had also been given to two other Clerk Magistrates within the district who were not employees of the County Court.

Additionally, the following errors were noted:

- In March 2021, a deposit of \$142 was lost. The Clerk Magistrate personally reimbursed the County Court for \$125 and had Polk County reissue the lost Polk County check for \$17.
- One non-monetary receipt waived \$7,865 of judgment costs; however, no documentation was on file to support the waiver of such costs.
- The County Court has not followed up on one \$62 case balance due since March 2018.
- For one case, an order was issued to waive costs due totaling \$46 in March 2020; however, \$29 of that amount was not waived until October 2020 and the remaining \$17, which was nonwaiverable, was not paid by the County until January 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.

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.

POLK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. State Treasurer Payments

For 15 of 24 months tested, fee collections due to the State Treasurer, totaling \$34,454, did not clear the County Court’s bank account within the statutorily required 10 days after the end of the month, as follows:

Month Fees Collected	Amount	Due Date	Date Cleared	Days Late
December 2019	\$ 1,824	1/10/2020	1/14/2020	4
January 2020	\$ 2,587	2/10/2020	2/12/2020	2
February 2020	\$ 3,448	3/10/2020	4/7/2020	28
March 2020	\$ 1,887	4/10/2020	5/5/2020	25
April 2020	\$ 1,479	5/10/2020	6/5/2020	26
May 2020	\$ 2,063	6/10/2020	9/8/2020	90
June 2020*	\$ 1,882	7/10/2020	8/5/2020	26
July 2020*	\$ 2,183	8/10/2020	9/8/2020	30
August 2020*	\$ 1,675	9/10/2020	10/6/2020	26
September 2020*	\$ 3,318	10/10/2020	11/5/2020	26
November 2020*	\$ 2,028	12/10/2020	1/8/2021	29
January 2021*	\$ 2,737	2/10/2021	3/9/2021	27
March 2021*	\$ 2,812	4/10/2021	5/10/2021	30
April 2021*	\$ 2,602	5/10/2021	6/8/2021	29
November 2021*	\$ 1,929	12/10/2021	1/10/2022	31
Total	\$ 34,454			

*These months include two ACH payments made to the State Treasurer: one for regular fees and one for Judge’s Retirement Fees.

Neb. Rev. Stat. § 33-107.01 (Reissue 2016) states, in relevant part, the following:

A legal services fee of six dollars and twenty-five cents shall be taxed as costs in each case filed in each separate juvenile court and district court, including appeals to such courts, and on each case filed in each county court except those filed in county court pursuant to its jurisdiction under section 25-2802. . . . Such fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the close of each month for credit to the Legal Aid and Services Fund.

(Emphasis added.) Further, Neb. Rev. Stat. § 33-107.03 (Reissue 2016) provides the following, as is relevant:

In addition to all other court costs assessed according to law, a court automation fee of eight dollars shall be taxed as costs for each case filed in each county court, separate juvenile court, and district court, including appeals to such courts The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the end of each month. The State Treasurer shall credit the fees to the Supreme Court Automation Cash Fund.

(Emphasis added.) With regard to court fees collected for the judges retirement system, Neb. Rev. Stat. § 24-703(3)(c) (Supp. 2021) states, in relevant part, the following:

When collected by the clerk of the district or county court, such fees shall be remitted to the State Treasurer within ten days after the close of each calendar month for credit to the Nebraska Retirement Fund for Judges.

(Emphasis added.) Further, Neb. Rev. Stat. § 33-154 (Reissue 2016) says the following, in relevant part:

In addition to all other court costs assessed according to law, a training fee of one dollar shall be taxed as costs for each case filed in each county court and district court, including appeals to such courts The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the end of each month. The State Treasurer shall credit the fees to the Supreme Court Education Fund.

POLK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **State Treasurer Payments** (Concluded)

(Emphasis added.) Further, Neb. Rev. Stat. § 33-155 (Reissue 2016) states, as is relevant, the following:

In addition to all other court costs assessed according to law, a dispute resolution fee of seventy-five cents shall be taxed as costs for each case filed in each county court and district court, including appeals to such courts The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the end of each month. The State Treasurer shall credit the fees to the Dispute Resolution Cash Fund.

(Emphasis added.) Further, Neb. Rev. Stat. § 33-156(1) (Reissue 2016) says, in relevant part, the following:

In addition to all other court costs assessed according to law, an indigent defense fee of three dollars shall be taxed as costs for each case filed in each county court and district court, including appeals to such courts The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the end of the month. The State Treasurer shall credit the fees to the Commission on Public Advocacy Operations Cash Fund.

Further, Neb. Rev. Stat. § 47-633 (Reissue 2016) provides the following, as is relevant:

In addition to all other court costs assessed according to law, a uniform data analysis fee of one dollar shall be taxed as costs for each case filed in each county court, separate juvenile court, and district court, including appeals to such courts The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the end of each month. The State Treasurer shall credit the fees to the Community Corrections Uniform Data Analysis Cash Fund.

Good internal control requires procedures to ensure that all fees are remitted timely. When the above fees are not remitted to the State Treasurer within 10 days after the end of the month, the County Court is not in compliance with State statute.

We recommend the County Court implement procedures to ensure all monthly fee checks are processed in a timely manner to ensure their remittance in accordance with State statute.



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POLK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Polk County Court
Osceola, Nebraska 68651

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Polk 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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.

August 8, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

POLK COUNTY COURT
OSCEOLA, 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	\$ 61,091	\$ 79,231	\$ 127,006	\$ 13,316
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,831	\$ 12,316	\$ 13,568	\$ 579
Law Enforcement Fees	66	905	912	59
State Judges Retirement Fund	492	6,032	6,040	484
Court Administrative Fees	1,129	7,300	7,944	485
Legal Services Fees	399	4,340	4,460	279
Due to County Treasurer:				
Regular Fines	2,800	28,241	28,766	2,275
Overload Fines	-	325	325	-
Regular Fees	3	393	396	-
Petty Cash Fund	60	-	-	60
Municipality Fines	-	-	-	-
Trust Fund Payable	54,311	19,379	64,595	9,095
Total Liabilities	\$ 61,091	\$ 79,231	\$ 127,006	\$ 13,316

The accompanying notes are an integral part of the schedule.

POLK COUNTY COURT
OSCEOLA, 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	\$ 15,938	\$ 131,104	\$ 85,951	\$ 61,091
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 864	\$ 13,284	\$ 12,317	\$ 1,831
Law Enforcement Fees	54	888	876	66
State Judges Retirement Fund	356	5,498	5,362	492
Court Administrative Fees	363	7,070	6,304	1,129
Legal Services Fees	290	4,361	4,252	399
Due to County Treasurer:				
Regular Fines	2,036	27,368	26,604	2,800
Overload Fines	2,800	-	2,800	-
Regular Fees	79	1,040	1,116	3
Petty Cash Fund	60	-	-	60
Municipality Fines	-	45	45	-
Trust Fund Payable	9,036	71,550	26,275	54,311
Total Liabilities	\$ 15,938	\$ 131,104	\$ 85,951	\$ 61,091

The accompanying notes are an integral part of the schedule.

POLK COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Polk 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 Polk 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.