

**ATTESTATION REPORT
OF
SEWARD COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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Issued on July 27, 2022

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Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

Rachel Wittler, CPA, CFE – Audit Manager

Adam Hohensee – Auditor II

Kyle Hanna – Auditor

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

SEWARD COUNTY COURT

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SEWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Seward 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:*** Three case balances, totaling \$9,590, 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.

SEWARD 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.

Additionally, we noted the following errors:

- One case did not have the balance due of \$136 waived even though satisfaction had been filed on the case in January 2019.
- Three cases had \$210 in testing fees not entered into JUSTICE even though they were ordered due by the Judge.

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:

Regarding segregation of duties: 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.

Regarding the note regarding case where the judgment balance was not waived when a satisfaction was filed: this is one of several steps we complete when a satisfaction is filed. We do not have a report to access for reviewing balances in satisfied cases. If this step is accidentally missed or interrupted the only thing we can do is a search for satisfied cases and then enter the case IDs one at a time to check balances.

Regarding the note regarding testing fees: in one case mentioned the probation testing fees were recorded in the original judgment. Subsequently the probation judgment was revoked and the fees were not ordered in the new judgment so they were removed from the judgment screen. Those fees were still reflected on the judgment history screen. The other cases we had conversations about were breath testing fees that were incurred at the time of arrest. Those fees are paid upfront by the county. In one case the county attorney requested those fees in the courtroom when they had not previously filed the statement for the same. Ultimately, they failed to produce and file a statement so those fees were removed. The 3rd case the defendant satisfied those fees by sitting out his fine and costs in jail. The testing fees can not be set out. We do not claim them as that would just be moving the money from our budget back into the general budget.

SEWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

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

APA Response: All three cases had testing fees assessed in a court order as due and therefore should be entered into JUSTICE. If the fees are then ordered waived or deemed not assessed, then the appropriate receipt and documentation should be entered into JUSTICE to support this conclusion and to adequately document the costs.

2. **Monthly Case Balances**

During testing, we noted that three case balances 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 \$320 for restitution was received between August and October 2020 but was not remitted to the victim until April 2021, or eight months later.
- One case balance of \$9,000 for a bond appearance had not been followed up on since a warrant was issued in September 2020.
- One case balance of \$270 for a bond appearance had not been followed up on since a warrant was issued in April 2021.

Good internal controls require procedures to ensure that supporting documentation for case balances is kept on file for subsequent inspection.

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 documentation to support the timely follow-up of case balances.

County Court's Response:

Regarding monthly case balances:

Case with restitution – the total was to be paid to two different businesses. We do not disburse restitution on a first come, first paid basis. Rather any partial payment disbursements are prorated for all victims. When the defendant is making regular payments we hold the partial payments until paid in full or the defendant discontinues payments, at which time the funds are disbursed.

APA Response: Funds that are due to victims in a case should be remitted as soon as they are received unless specifically ordered otherwise.

Cases with bonds in cases with warrants – the Court strives to maintain its neutrality in all court cases. It is up to the parties of the case to make a motion to forfeit any bonds held by the Court. In the referenced cases the County Attorney failed to make said motion.

APA Response - While we understand the Court's position of neutrality, it is also the Court's responsibility to follow up on any balances held, which may involve contacting the County Attorney.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

SEWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Seward County Court
Seward, Nebraska 68434

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Seward 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 20, 2022

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

SEWARD COUNTY COURT
SEWARD, 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	\$ 288,472	\$ 773,819	\$ 915,110	\$ 147,181
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,817	\$ 84,141	\$ 85,648	\$ 6,310
Law Enforcement Fees	364	3,973	4,063	274
State Judges Retirement Fund	1,924	22,172	22,412	1,684
Court Administrative Fees	2,376	28,909	28,770	2,515
Legal Services Fees	1,574	16,469	16,959	1,084
Due to County Treasurer:				
Regular Fines	8,657	106,099	105,401	9,355
Overload Fines	-	150	100	50
Regular Fees	1,174	43,608	44,498	284
Petty Cash Fund	500	-	-	500
Municipality Fines	635	4,271	4,887	19
Due to Municipalities:				
Regular Fees	75	2,490	2,340	225
Trust Fund Payable	263,376	461,537	600,032	124,881
Total Liabilities	\$ 288,472	\$ 773,819	\$ 915,110	\$ 147,181

The accompanying notes are an integral part of the schedule.

SEWARD COUNTY COURT
SEWARD, 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	\$ 93,987	\$ 718,388	\$ 523,903	\$ 288,472
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,957	\$ 53,259	\$ 52,399	\$ 7,817
Law Enforcement Fees	316	3,488	3,440	364
State Judges Retirement Fund	1,623	18,727	18,426	1,924
Court Administrative Fees	1,546	25,800	24,970	2,376
Legal Services Fees	1,307	15,017	14,750	1,574
Due to County Treasurer:				
Regular Fines	8,272	89,437	89,052	8,657
Overload Fines	600	1,774	2,374	-
Regular Fees	290	33,935	33,051	1,174
Petty Cash Fund	500	-	-	500
Municipality Fines	-	3,373	2,738	635
Due to Municipalities:				
Regular Fees	75	1,605	1,605	75
Trust Fund Payable	72,501	471,973	281,098	263,376
Total Liabilities	\$ 93,987	\$ 718,388	\$ 523,903	\$ 288,472

The accompanying notes are an integral part of the schedule.

SEWARD COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Seward 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 Seward 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.