

**ATTESTATION REPORT
OF
HARLAN COUNTY COURT**

JANUARY 1, 2021, THROUGH DECEMBER 31, 2022

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Issued on May 23, 2023

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HARLAN COUNTY COURT

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HARLAN COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Harlan County Court, we noted a certain deficiency that is presented here. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a material weakness.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

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

The following error was also noted:

- One receipt for \$600 was entered for credit for jail time served without documentation on file to support that the defendant served the time.

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 Response: I am responding to the draft copy of the attestation report of Harlan County Court for the period January 1, 2021, through December 31, 2022. In regard to the "Segregation of Duties" comment, 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.

HARLAN COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

In response to the error, the court noted at the time of sentencing on September 28 of 2021, the defendant had served four days in the county jail. He was arrested on September 6 of 2020 and posted bond on September 9 of 2020. As part of his sentence, the judge imposed fines of \$600. The court noted that the Defendant did not have the ability to pay and allowed him to sit those fines out at the rate of \$150 per day per statute. With the credit for four days time served the fines were deemed satisfied. As a corrective action, I have entered, and I have sent a commitment to the Sheriff to return so that the record is clear that the defendant had served the four days in jail. In the future in an effort to avoid this issue, or this from becoming an issue again I will issue a commitment or mittimus on every case, whether the credit for time served satisfies the sentence or not.

It should be noted this report is critical in nature, as it contains only our comment and recommendation on the area 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 an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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HARLAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Harlan County Court
Alma, Nebraska 68920

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Harlan County Court as of and for the calendar years ending December 31, 2021, and December 31, 2022. 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 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, 2021, and December 31, 2022, 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 Comment 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.

May 18, 2023



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

HARLAN COUNTY COURT
ALMA, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
CUSTODIAL FUNDS

For the Calendar Year Ended December 31, 2022

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
ASSETS				
Cash and Deposits	\$ 8,236	\$ 88,124	\$ 71,124	\$ 25,236
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,559	\$ 13,615	\$ 12,566	\$ 3,608
Law Enforcement Fees	76	758	759	75
State Judges Retirement Fund	460	5,559	5,363	656
Court Administrative Fees	368	4,378	4,241	505
Legal Services Fees	324	3,351	3,336	339
Due to County Treasurer:				
Regular Fines	1,597	20,193	19,357	2,433
Overload Fines	1,400	50	1,450	-
Regular Fees	50	1,788	1,817	21
Petty Cash Fund	100	-	-	100
Municipality Fines	-	230	230	-
Due to Municipalities:				
Regular Fees	-	17	17	-
Trust Fund Payable	1,302	38,185	21,988	17,499
Total Liabilities	\$ 8,236	\$ 88,124	\$ 71,124	\$ 25,236

The accompanying notes are an integral part of the Schedule.

HARLAN COUNTY COURT
ALMA, 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	\$ 10,339	\$ 97,378	\$ 99,481	\$ 8,236
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,825	\$ 11,946	\$ 12,212	\$ 2,559
Law Enforcement Fees	64	852	840	76
State Judges Retirement Fund	356	5,097	4,993	460
Court Administrative Fees	361	4,697	4,690	368
Legal Services Fees	271	3,704	3,651	324
Due to County Treasurer:				
Regular Fines	2,502	24,752	25,657	1,597
Overload Fines	100	3,125	1,825	1,400
Regular Fees	58	313	321	50
Petty Cash Fund	100	-	-	100
Municipality Fines	-	-	-	-
Due to Municipalities:				
Regular Fees	-	-	-	-
Trust Fund Payable	3,702	42,892	45,292	1,302
Total Liabilities	\$ 10,339	\$ 97,378	\$ 99,481	\$ 8,236

The accompanying notes are an integral part of the schedule.

HARLAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2021, and December 31, 2022

1. Criteria

A. Reporting Entity

The Harlan 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 Harlan 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.