

**ATTESTATION REPORT
OF
JOHNSON COUNTY COURT**

JANUARY 1, 2021, THROUGH DECEMBER 31, 2022

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Issued on June 30, 2023

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JOHNSON COUNTY COURT

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JOHNSON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Johnson 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. ***Improper or Unsupported Action Taken:*** For three receipts tested, the County Court failed to take the action required by the court order or lacked support for the disposition of those moneys.

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.

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

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.

Regarding DOCKET authority: The Administrative Office of the Courts and Probation (AOCP) 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 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. The AOCP 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.

2. Improper or Unsupported Action Taken

We tested three receipts that were either not handled in accordance with the court order or lacked support for their final disposition, as follows:

- One bond held was inappropriately applied to \$51 of court costs that were ordered to be sat out in jail, resulting in an underpayment of the bond refund owed to the defendant.

JOHNSON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Improper or Unsupported Action Taken** (Concluded)

- One bond held was applied to court costs, totaling \$49; however, no documentation was on file to support the application of the bond to costs owed.
- One bond held was transferred and applied to court costs on another case, totaling \$85; however, no documentation was on file to support the transfer of the bond or the application of the bond to fines and costs.

Good internal control and sound accounting practices require procedures to ensure that proper action is taken in accordance with the court order on file. Additionally, such procedures require documentation to be on file to support the application of bonds to fines and costs, including those from associated cases.

Without such procedures, there is an increased risk for the loss or misuse of funds.

We recommend the County Court implement procedures to ensure: 1) all actions taken are in compliance with applicable orders of the Court; and 2) documentation is on file to support the application of bonds to fines and costs, including those from associated cases.

County Court's Response:

- *Regarding the \$51 applied to court costs, the receipt has been corrected and a \$51 refund was issued to the Defendant on 5/24/2023.*
- *Regarding the \$49 court costs paid from the Defendant's bond - a Nunc Pro Tunc Order was issued by the Judge on 4/14/2023 to support the action taken.*
- *Regarding the bond transfer totaling \$85, I was advised by the Auditor's Office that no change needed to be made since the end result to the Defendant would be the same.*



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JOHNSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Johnson County Court
Tecumseh, Nebraska 68450

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Johnson 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 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.



June 29, 2023

Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

JOHNSON COUNTY COURT
 TECUMSEH, 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	\$ 22,363	\$ 139,168	\$ 148,404	\$ 13,127
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 768	\$ 13,463	\$ 12,823	\$ 1,408
Law Enforcement Fees	78	1,006	1,040	44
State Judges Retirement Fund	610	7,364	7,581	393
Court Administrative Fees	650	6,916	7,201	365
Legal Services Fees	378	4,536	4,720	194
Due to County Treasurer:				
Regular Fines	1,725	25,143	25,493	1,375
Overload Fines	400	500	900	-
Regular Fees	-	1,676	1,676	-
Petty Cash Fund	100	-	-	100
Municipality Fines	-	1,000	1,000	-
Trust Fund Payable	17,654	77,564	85,970	9,248
Total Liabilities	\$ 22,363	\$ 139,168	\$ 148,404	\$ 13,127

The accompanying notes are an integral part of the Schedule.

JOHNSON COUNTY COURT
 TECUMSEH, 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	\$ 23,168	\$ 144,806	\$ 145,611	\$ 22,363
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,140	\$ 14,572	\$ 14,944	\$ 768
Law Enforcement Fees	106	1,292	1,320	78
State Judges Retirement Fund	547	7,874	7,811	610
Court Administrative Fees	957	9,344	9,651	650
Legal Services Fees	443	5,748	5,813	378
Due to County Treasurer:				
Regular Fines	4,915	29,981	33,171	1,725
Overload Fines	150	400	150	400
Regular Fees	208	4,816	5,024	-
Petty Cash Fund	100	-	-	100
Municipality Fines	25	2,600	2,625	-
Trust Fund Payable	14,577	68,179	65,102	17,654
Total Liabilities	\$ 23,168	\$ 144,806	\$ 145,611	\$ 22,363

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Johnson 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 Johnson 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.