

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT
JANUARY 1, 2022, THROUGH DECEMBER 31, 2022**

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Issued on June 30, 2023

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Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

Rachel Wittler, CPA, CFE – Audit Manager

Delani Fahey – Auditor II

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

LANCASTER COUNTY COURT

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LANCASTER COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Lancaster 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. ***Inaccurate Bank Reconciliation:*** The County Court did not complete an accurate bank reconciliation as of December 31, 2022.

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.

LANCASTER 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 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. Specifically, 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.

The following errors were noted:

- For one civil case tested, a balance, totaling \$5, was still due on the case at the time of fieldwork in April 2023, despite a satisfaction filed three months prior, in January 2023.
- For one traffic case tested, a balance, totaling \$32, was still due on the case at the time of fieldwork in April 2023, despite a dismissal filed seven months prior, in September 2022.

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 noted 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. Lastly, we recommend the County Court implement procedures to ensure action is taken on outstanding balances in a timely manner.

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 the 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 the court.

2. Inaccurate Bank Reconciliation

During testing, we noted that the County Court had not completed an accurate bank reconciliation as of December 31, 2022. As of this date, we noted, the following:

- The County Court had included two items, a voided check and a pending payment, totaling \$248, that were not outstanding and should not have been included on the reconciliation.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Inaccurate Bank Reconciliation (Concluded)

- The County Court failed to include deposits in transit, totaling \$98, that were outstanding and should have been included on the reconciliation.
- The County Court failed to include a bond receipt, totaling \$150, that was not voided prior to the end of the calendar year and should have been included on the reconciliation.

Sound accounting practice and good internal control require procedures for completing comprehensive, detailed bank reconciliations, at least monthly, to ensure proper balancing between monies on deposit and the coinciding accounting records in order to help detect and resolve any errors, omissions, or irregularities in a timely manner.

Without such procedures, there is an increased risk of errors, omissions, or irregularities occurring and going undetected.

We recommend the County Court implement procedures to ensure that comprehensive, detailed bank reconciliations are completed, at least monthly, to help detect and resolve any errors, omissions, or irregularities in a timely manner.

County Court's Response: It should be noted that prior to publication of this response all inaccuracies were cleared up. Going forward the court has a clearer understanding/training notice to ensure accurate reconciliations.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917

State Capitol, Suite 2303

Lincoln, Nebraska 68509

402-471-2111, FAX 402-471-3301

auditors.nebraska.gov

LANCASTER COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Lancaster County Court
Lincoln, Nebraska 68508

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lancaster County Court as of and for the calendar year ending December 31, 2022. The County Court's management is responsible for the Schedule 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 Schedule 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 perform the examination to obtain reasonable assurance about whether the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions is 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 Schedule 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 Schedule 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar year ending December 31, 2022, is 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to the Schedule 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions is presented in accordance with the criteria described above and not for the purpose

of expressing an opinion on the internal control over the Schedule 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 Schedule 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.



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

June 27, 2023

LANCASTER COUNTY COURT
LINCOLN, 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	\$ 2,442,694	\$ 10,737,160	\$ 10,907,862	\$ 2,271,992
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 31,446	\$ 888,964	\$ 897,183	\$ 23,227
Law Enforcement Fees	2,817	82,028	82,517	2,328
State Judges Retirement Fund	17,697	519,509	518,707	18,499
Court Administrative Fees	17,692	483,570	486,206	15,056
Legal Services Fees	11,580	331,655	333,673	9,562
Due to County Treasurer:				
Regular Fines	42,888	1,152,251	1,154,098	41,041
Overload Fines	2,125	71,796	72,346	1,575
Regular Fees	1,556	256,158	254,458	3,256
Petty Cash Fund	1,000	-	-	1,000
Municipality Fines	42,773	1,151,087	1,163,979	29,881
Due to Municipalities:				
Regular Fees	3,726	100,902	104,356	272
Trust Fund Payable	2,267,394	5,699,240	5,840,339	2,126,295
Total Liabilities	\$ 2,442,694	\$ 10,737,160	\$ 10,907,862	\$ 2,271,992

The accompanying notes are an integral part of the Schedule.

LANCASTER COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Calendar Year Ending December 31, 2022

1. Criteria

A. Reporting Entity

The Lancaster 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 Schedule 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 Schedule does 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 Lancaster County.

B. Basis of Accounting

The accounting records of the County Court Custodial Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions has 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.