

**ATTESTATION REPORT
OF
HALL COUNTY COURT**

JANUARY 1, 2023, THROUGH DECEMBER 31, 2023

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HALL COUNTY COURT

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HALL COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Hall 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 (“Improper or Unsupported Action Taken”), which is considered to be 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. ***Improper or Unsupported Action Taken:*** For seven transactions tested, the County Court failed either to act in accordance with State statute or maintain support for the final disposition of the 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. 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.

HALL 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.

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.

County Court Response: The Administrative Office of the Courts and Probation (AOC) 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 court 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 AOC has determined that all clerk magistrates will have authority to operate all financial functions of a court.

2. Improper or Unsupported Action Taken

We tested seven transactions, totaling \$6,600, that were either not handled appropriately or lacked support for their final disposition, as follows:

- One refund check tested, totaling \$25, was paid to the incorrect party because it was applied to the wrong case in error. The County Court did not have procedures in place to verify the case prior to issuing the refund payment.
- Four criminal cases tested applied bonds held to fines, totaling \$925; however, no support was on file to ensure the consent of the defendant prior to the application of the bond, as required by Neb. Rev. Stat. § 29-2206(3) (Cum. Supp. 2022).
- Two non-monetary receipts tested, totaling \$5,650, were for restitution that was due; however, the County Court waived these balances without additional supporting documentation, as required by Neb. Rev. Stat. § 29-2285 (Reissue 2016).

HALL COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

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

Section 29-2206(3) states the following, in relevant part:

As an alternative to a lump-sum payment or as an alternative or in conjunction with installment payments, the court or magistrate may, with the consent of the offender, deduct fines from a bond posted by the offender to the extent that such bond is not otherwise encumbered by a valid lien, levy, execution, or assignment to counsel of record or the person who posted the bond.

(Emphasis Added). Neb. Rev. Stat. § 29-2285 provides the requirements for adjusting or waiving restitution, which include a petition by a “defendant, victim, or the personal representative of the victim's estate.” Such determination does not appear appropriate by the County Court alone.

Good internal controls and sound accounting practices require procedures to ensure that proper action on balances held or due on cases is completed in compliance with relevant regulations. Those procedures also require documentation to be on file to support the waiver of any fees and the application of any bonds held to fines.

Without such procedures, there is an increased risk of non-compliance with State statute and the loss or misuse of funds.

We recommend the County Court implement procedures to ensure all actions taken comply with applicable regulations and State statute, and documentation is on file to support the waiver of any fees and the application of any bonds held to fines.



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HALL COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Hall County Court
Grand Island, Nebraska 68801

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Hall County Court as of and for the calendar year ending December 31, 2023. 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, 2023, 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 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 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.

April 5, 2024



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

HALL COUNTY COURT
GRAND ISLAND, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
CUSTODIAL FUNDS

For the Calendar Year Ended December 31, 2023

| | Balance January 1, 2023 | Additions | Deductions | Balance December 31, 2023 |
|------------------------------|-------------------------------|--------------|--------------|---------------------------------|
| ASSETS | | | | |
| Cash and Deposits | \$ 464,918 | \$ 3,051,540 | \$ 3,037,460 | \$ 478,998 |
| LIABILITIES | | | | |
| Due to State Treasurer: | | | | |
| Regular Fees | \$ 18,280 | \$ 279,866 | \$ 278,070 | \$ 20,076 |
| Law Enforcement Fees | 2,335 | 27,250 | 27,258 | 2,327 |
| State Judges Retirement Fund | 15,319 | 189,277 | 187,754 | 16,842 |
| Court Administrative Fees | 10,833 | 132,829 | 132,553 | 11,109 |
| Legal Services Fees | 9,220 | 109,719 | 109,390 | 9,549 |
| Due to County Treasurer: | | | | |
| Regular Fines | 52,455 | 668,025 | 660,391 | 60,089 |
| Overload Fines | 3,300 | 34,200 | 34,500 | 3,000 |
| Regular Fees | 6,418 | 59,254 | 62,978 | 2,694 |
| Petty Cash Fund | 825 | - | - | 825 |
| Municipality Fines | 6,165 | 94,250 | 94,303 | 6,112 |
| Due to Municipalities: | | | | |
| Regular Fees | 934 | 16,745 | 17,154 | 525 |
| Trust Fund Payable | 338,834 | 1,440,125 | 1,433,109 | 345,850 |
| Total Liabilities | \$ 464,918 | \$ 3,051,540 | \$ 3,037,460 | \$ 478,998 |

The accompanying notes are an integral part of the Schedule.

HALL COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Calendar Year Ending December 31, 2023

1. Criteria

A. Reporting Entity

The Hall 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 Hall 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.