

**ATTESTATION REPORT  
OF  
KEARNEY COUNTY COURT**

**JANUARY 1, 2023, THROUGH DECEMBER 31, 2023**

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**Issued on March 28, 2024**

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## **Audit Staff Working On This Examination**

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

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KEARNEY COUNTY COURT

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## KEARNEY COUNTY COURT

### SUMMARY OF COMMENTS

During our examination of Kearney 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 (“Overdue Balances”), which is considered to be a 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. *Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such 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.

KEARNEY 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. We noted further that Kearney County Court access had been given also to one other Clerk Magistrate who was not an employee of the Kearney County Court.

The following errors were noted:

- On two occasions, the County Court incorrectly claimed fees, totaling \$21, to the County.
- The County Court failed to assess Sheriff Service fees of \$18 to a defendant, leaving them shown as a balance due from the State.

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 issue 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 errors cited in the audit report have been addressed within my office. The segregation of duties finding is an on-going issue in the Kearney County Court, as we only have a full time Magistrate and one part time Assistant Clerk. This makes it difficult for more than one person to process all transactions. The Kearney County Court does have a financial specialist that reviews month end, bank statements, and other financial transactions.*

**2. Overdue Balances**

Good internal control and sound business practices require overdue balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or resolve those balances.

During testing of five overdue balances, three, totaling \$203, did not have subsequent action taken by the County Court, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, to ensure collection and/or resolution of the balances. The details of these case are shown below:

- One case had two charges, totaling \$10, erroneously assessed in April 2023. Those fees should have been waived, but they were still shown as due.

KEARNEY COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Overdue Balances** (Concluded)

- One case had \$176 of court costs and fees shown as due; however, they had been ordered to be waived in November 2023. The order also waived the additional \$449 in restitution that was due, as permitted by Neb. Rev. Stat. § 29-2285 (Reissue 2016), but no supporting documentation was available for that waiver.
- One case had a balance due of \$17 that should have been waived in March 2022. This case was transferred to District Court in March 2020, at which time the costs should have been claimed to the County. However, these costs were not claimed until October 2023. Furthermore, the Clerk incorrectly certified to the District Court the costs that the defendant still owed to the County Court as \$50 when it should have been \$51.

Additionally, one case tested did not have \$500 in public defender costs assessed to the defendant despite being ordered in November 2023.

As of January 31, 2024, overdue balances, excluding restitution judgments, totaled \$6,702.

We noted a similar issue in the previous examination.

Without a regular review of overdue case balances, there is an increased risk that such balances may either not have proper follow-up action taken or have been previously resolved and should no longer be reflected as overdue.

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure the timely collection and/or resolution of overdue balances.

*County Court Response: The overdue balance finding will be reviewed in my office, and we will begin working the overdue balance report on a regular basis to address this issue. I will review my Attestation Report with my Extra Duty Financial Specialist, Mandy Klipp, and get instruction to correct the overdue balance issues.*



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## KEARNEY COUNTY COURT

### INDEPENDENT ACCOUNTANT'S REPORT

Kearney County Court  
Minden, Nebraska 68959

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

March 27, 2024



Mike Foley  
Auditor of Public Accounts  
Lincoln, Nebraska

**KEARNEY COUNTY COURT**  
**MINDEN, 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
<b>ASSETS</b>				
Cash and Deposits	\$ 17,015	\$ 212,483	\$ 207,187	\$ 22,311
 <b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,560	\$ 19,785	\$ 20,390	\$ 955
Law Enforcement Fees	121	1,409	1,423	107
State Judges Retirement Fund	893	11,318	11,276	935
Court Administrative Fees	1,237	12,088	12,770	555
Legal Services Fees	539	6,322	6,353	508
 Due to County Treasurer:				
Regular Fines	2,511	35,026	35,387	2,150
Overload Fines	-	1,925	1,900	25
Regular Fees	198	2,572	2,573	197
Petty Cash Fund	80	-	-	80
Municipality Fines	25	100	25	100
Trust Fund Payable	9,851	121,938	115,090	16,699
Total Liabilities	\$ 17,015	\$ 212,483	\$ 207,187	\$ 22,311

The accompanying notes are an integral part of the Schedule.

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

**1. Criteria**

**A. Reporting Entity**

The Kearney 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 Kearney 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.