

**ATTESTATION REPORT  
OF  
LANCASTER COUNTY COURT**

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

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**Issued on May 7, 2024**

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LANCASTER COUNTY COURT

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## LANCASTER COUNTY COURT

### SUMMARY OF COMMENTS

During our examination of the Lancaster 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 #3 (“Improper or Untimely Action Taken”), which is considered to be a significant deficiency, and Comments #1 (“Segregation of Duties”) and #2 (“Incomplete Bank Reconciliations”), which are considered to be material weaknesses.

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. *Incomplete Bank Reconciliations:*** The County Court did not complete an accurate bank reconciliation as of December 31, 2023.
- 3. *Improper or Untimely Action Taken:*** For 25 transactions tested, the County Court failed either to address the balances held or due in a timely manner, maintain adequate supporting documentation, or to take action in accordance with relevant State statute.

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 error was noted:

- The County Court uses checks that are pre-signed by the Judicial Administrator.

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 is not 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 checks are signed only after the relevant financial information has been completed.

*County Court 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 specialist review court records and provide assistance to county courts if there are discrepancies. However, the Judicial Branch does not have the financial and human resource 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.*

*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, a review of compensating controls and practices.*

**2. Incomplete Bank Reconciliations**

The County Court lacked procedures to ensure that an accurate bank reconciliation was completed in a timely manner. The County Court had not completed an accurate bank reconciliation as of December 31, 2023. As of this date, the County Court had an unknown variance of \$3,713 on its reconciliation. As of the time of fieldwork in April 2024, a complete December 31, 2023, reconciliation was unable to be provided.

LANCASTER COUNTY COURT

**COMMENTS AND RECOMMENDATIONS**

(Continued)

**2. Incomplete Bank Reconciliations (Concluded)**

During our attestation, we also completed a December 31, 2023, bank reconciliation, noting the following:

- The County Court had included two deposits in transit, totaling \$4,553, that were not outstanding and should not have been included on the reconciliation.
- The County Court noted a voided check, totaling \$25, that had cleared the bank in error; however, this reconciling item was noted incorrectly as an increase – rather than a decrease – to the reconciled bank balance. This error caused the reconciled bank balance to be overstated by \$50.
- An unknown overage in the bank account, totaling \$30, has not been identified.

Sound accounting practice and good internal controls 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.

We have noted this comment in the previous examination.

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 Response: Lancaster County Court recognizes that the reconciliation was not completed in a timely manner and is working to resolve the identified issues.*

**3. Improper or Untimely Action Taken**

We tested 25 transactions, totaling \$15,506, that were either not addressed in a timely manner, not adequately supported, or were not handled in accordance with State statute, as follows:

- Five criminal cases and one traffic case tested applied bonds held to fines, totaling \$1,997, and restitution, totaling \$840; however, no support was on file to ensure the consent of the defendant prior to the application of the bond.
- Ten claims from Lancaster County and the City of Lincoln for unpaid fees, totaling \$5,927, had issue dates ranging from August 11, 2022, through October 6, 2023; however, these claims had not been resolved and were still outstanding at the time of fieldwork in March 2024.
- One traffic case tested had a balance due of \$32 as of fieldwork in March 2024; however, the balance should have been waived because the case had been dismissed in August 2020, over three years prior.
- One traffic case tested had a return commitment filed in November 2023, stating that the defendant received credit for one day, or \$150, towards fines and costs owed. This jail credit was not applied to the case until April 2024, after inquiry during the attestation.
- One non-case receipt tested, totaling \$74, was not refunded in a timely manner. The receipt was held for almost five months prior to the issuance of the refund.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. **Improper or Untimely Action Taken** (Concluded)

- One civil case tested had a balance due, totaling \$112, as of fieldwork in March 2024; however, the balance should have been waived because a satisfaction of judgment had been filed in October 2023, or five months prior.
- One criminal case tested had issued a check in August 2022, totaling \$450, which was returned the same day; however, the County Court did not void or reissue this check until August 2023.
- One criminal case tested had a bond held, totaling \$4,500. A portion of this bond, totaling \$3,500, had been assigned to the defendant's attorney; however, the County Court refunded the bond in its entirety to the defendant.
- Three civil cases tested had received overpayments, totaling \$2,424; however, these balances were not paid to the appropriate party. For two of the cases, overpayments, totaling \$83, were paid to the plaintiff's attorney instead of to the plaintiff. For the remaining case, a satisfaction of judgment had been filed in June 2020; however, 11 receipts were received after this date, and those overpayments, totaling \$2,341, were paid to the plaintiff instead of returned to the defendant.

Neb. Rev. Stat. § 29-2206(3) (Cum. Supp. 2022) 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). Good internal controls and sound accounting practices require procedures to ensure that proper action on balances held or due on cases is completed in a timely manner, appropriately documented, and in compliance with relevant State statutes.

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 that proper action on balances held or due on cases is completed in a timely manner, is adequately documented, and in compliance with relevant State statute.

*County Court Response: Lancaster County Court recognizes that a variety of issues were identified in which a case was not addressed in a timely manner. The court is working with staff to implement new policies and procedures to ensure timely and consistent follow-up on all cases and claims to the city and county. In addition, 5 of the 6 issues identified as untimely were corrected during the audit process.*

*Regarding bond being applied to fines and restitution with the consent of the defendant, staff will continue to apply bond as ordered by the judge as consent of the defendant was obtained on the record in court.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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### 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, 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.

May 1, 2024



Mike Foley  
Auditor of Public Accounts  
Lincoln, Nebraska

**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, 2023

	<u>Balance</u> <u>January 1,</u> <u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2023</u>
<b>ASSETS</b>				
Cash and Deposits	\$ 2,271,992	\$ 11,297,050	\$ 11,219,890	\$ 2,349,152
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 23,227	\$ 918,892	\$ 910,651	\$ 31,468
Law Enforcement Fees	2,328	94,908	93,682	3,554
State Judges Retirement Fund	18,499	659,886	650,312	28,073
Court Administrative Fees	15,056	523,564	518,326	20,294
Legal Services Fees	9,562	385,433	379,609	15,386
Due to County Treasurer:				
Regular Fines	41,041	1,213,438	1,218,927	35,552
Overload Fines	1,575	49,424	47,098	3,901
Regular Fees	3,256	203,346	203,882	2,720
Petty Cash Fund	1,000	-	-	1,000
Municipality Fines	29,881	1,223,993	1,213,137	40,737
Due to Municipalities:				
Regular Fees	272	111,174	111,242	204
Trust Fund Payable	2,126,295	5,912,992	5,873,024	2,166,263
<b>Total Liabilities</b>	<u>\$ 2,271,992</u>	<u>\$ 11,297,050</u>	<u>\$ 11,219,890</u>	<u>\$ 2,349,152</u>

The accompanying notes are an integral part of the Schedule.

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

**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.