

**ATTESTATION REPORT
OF
FURNAS COUNTY COURT**

JANUARY 1, 2024, THROUGH DECEMBER 31, 2024

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FURNAS COUNTY COURT

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FURNAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Furnas 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. ***Petty Cash Issues:*** The County Court incorrectly submitted Furnas County’s money for petty cash to Unclaimed Property; failed to reconcile the petty cash; and did not maintain documentation of all petty cash activity.
3. ***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. Where no response has been included, the County Court declined to respond.

FURNAS 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 Furnas County Court access had been given also to nine other Clerk Magistrates, one Courtroom Clerk, and three State employees who were not employees of the Furnas County Court.

The following errors were noted:

- One receipt for \$91 of sheriff fees and court costs was paid for by the County without documentation ordering such payment.
- One case had \$32 in court costs waived due to jail time served; however, there was no documentation supporting the defendant served jail time towards these costs.
- One case had a bond filed with incorrect amounts. The bond was noted as a \$25,000 10% bond, which would require that \$2,500 be deposited. However, the bond form stated that only \$250 was to be deposited, which agreed to the actual amount deposited.
- One case had a balance of \$22 that was attempted to be refunded to the defendant in October 2024 but returned in the mail. However, this amount should have been applied to court costs that were not properly assessed and applied to the case.
- One case had a balance of \$1,350 held from three bonds. There has been no activity on the case since May 2023.

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.

2. Petty Cash Issues

During the calendar year, we noted that the County Court failed to manage a \$125 petty cash fund properly. The County Court did not keep complete or accurate petty cash logs to document the use of the cash held. Further, the petty cash logs provided during the attestation were created after inquiry and still contained inaccurate and incomplete information. Details of the errors are provided below:

FURNAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Petty Cash Issues (Concluded)

- The County Court previously had a \$50 petty cash fund received in 2016 that was properly recorded in JUSTICE; however, during the calendar year, this balance was inappropriately remitted to Unclaimed Property. As the balance was held in cash, this remittance paid \$50 of trust money held in the bank account, causing the bank account to be \$50 short. Upon inquiry in March 2025, the County Court was still seemingly unaware that this \$50 balance was petty cash held and should not have been paid out.
- The petty cash logs provided, as created after our inquiry, provided receipts from the United States Postal Service that were undated. Further, two receipts, totaling \$292, were not included in the cash logs provided, nor were they noted as an expense until after additional inquiries.
- The Furnas County budget message only authorized a petty cash of \$50, and no record of an authorization by the County Board nor the State Court Administrator to increase this petty cash fund was provided.
- A reconciliation of the petty cash held to the authorized amount was not completed. The County Court submitted claims during the year for blanket amounts, such as a flat \$150, instead of submitting reimbursement for amounts actually spent. This practice caused the balance of cash held to range from \$258 to -\$75 during the calendar year.
 - Ten petty cash claims were submitted during the calendar year. As previously noted, the County Court was on multiple occasions submitting flat dollar amounts; as such, nine claims, totaling \$730, did not include any supporting documentation.
- The full \$125 petty cash held has not been recorded in JUSTICE.

The Uniform County Court Rules of Practice and Procedure § 6-1458 (February 18, 2016) states the following:

Whenever the need exists, a clerk magistrate, with the concurrence of the county judges of his or her district, may establish and maintain a petty cash fund. The fund shall be used only in the event of business-related circumstances which require the item or expense to be purchased and paid for immediately in cash. The creation of the fund is contingent upon approval of the State Court Administrator or designee and budget approval by the local county board as defined under Neb. Rev. Stat. § 23-106. If the local county board approves the budget request, the clerk magistrate shall maintain receipts for expenditures and an accurate, detailed accounting of the fund on a form approved by the State Court Administrator. The printed form and receipts shall be scanned into JUSTICE with the court's monthly financial image reports.

Neb. Rev. Stat. § 23-106(2) (Reissue 2022) states the following:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

Good internal control requires procedures to ensure petty cash is maintained in accordance with rules and budgets and adequately documented and reconciled. Without proper documentation of all monies held by the court, there is an increased risk of fraud or misuse of funds.

We recommend the County Court ensure petty cash is reconciled and properly documented in JUSTICE and the budget message, and in accordance with Supreme Court rules. We also recommend petty cash expenditures are properly documented. Finally, we recommend the County Court ensure that the \$50 is received back from Unclaimed Property.

FURNAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. 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, we noted that three 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.

We noted the following:

- One case had a balance due of \$400; however, the amount was supposed to be satisfied per a court order in May 2024 due to the defendant serving jail time.
- One case had a balance due of \$1,054; however, the amount should have been \$70 lower due to a miscalculation of probation fees.
- One case had a balance due of \$244 that had not been followed up on since 2006 when a license suspension request was sent.

We also noted two cases that had balances due of \$29 and \$48, which were for defendants that were deceased. The cases had not been followed up since 2000 and 2016, respectively. Therefore, the amounts should be deemed uncollectible.

Additionally, during other testing, we noted the following regarding overdue balances:

- One case had a balance due of \$7 of court costs and sheriff fees. However, during review of this case, the total costs of \$56 should have been paid via the bond balance of \$540 before it was released.
- One case had a balance due of \$200 for restitution; however, the money had been paid out to the victim and returned in the mail. Therefore, the amount is not due and should be waived and will eventually be remitted to unclaimed property.

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.



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FURNAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Furnas County Court
Beaver City, Nebraska 68926

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Furnas County Court as of and for the calendar year ending December 31, 2024. 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, 2024, 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 10, 2025



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

FURNAS COUNTY COURT
BEAVER CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
CUSTODIAL FUNDS

For the Fiscal Year Ended December 31, 2024

	Balance January 1, 2024	Additions	Deductions	Balance December 31, 2024
ASSETS				
Cash and Deposits	\$ 19,476	\$ 848,527	\$ 843,322	\$ 24,681
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,471	\$ 21,481	\$ 21,741	\$ 1,211
Law Enforcement Fees	238	1,743	1,869	112
State Judges Retirement Fund	1,610	14,042	14,810	842
Court Administrative Fees	1,806	11,907	13,208	505
Legal Services Fees	919	7,329	7,779	469
Due to County Treasurer:				
Regular Fines	3,273	28,922	31,464	731
Overload Fines	-	500	175	325
Regular Fees	166	758	924	-
Petty Cash Fund	100	25	-	125
Municipality Fines	50	2,023	1,998	75
Trust Fund Payable	9,843	759,797	749,354	20,286
Total Liabilities	\$ 19,476	\$ 848,527	\$ 843,322	\$ 24,681

The accompanying notes are an integral part of the Schedule.

FURNAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Calendar Year Ending December 31, 2024

1. Criteria

A. Reporting Entity

The Furnas 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 Furnas 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.