

**ATTESTATION REPORT
OF
LANCASTER COUNTY COURT
JANUARY 1, 2024, THROUGH DECEMBER 31, 2024**

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Issued on April 24, 2025

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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*: Comments #3 (“Bonds Held Issues”) and #4 (“Improper or Untimely Action Taken”), which are considered to be significant deficiencies, 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, 2024.
3. ***Bonds Held Issues:*** The County Court did not have accurate procedures to ensure bonds held were reviewed on a periodic basis, and appropriate follow-up action was taken to resolve the balance held.
4. ***Improper or Untimely Action Taken:*** For 32 transactions tested, the County Court failed to address in a timely manner the balances held or due, maintain adequate supporting documentation, or act 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. We noted 26 employees of Lancaster County Court with such access. Of those employees, we noted 20 employees had access to court receipts and/or were able to record non-monetary transactions (e.g., waiving fines) in JUSTICE. We noted further that Lancaster County Court access had been given also to three State employees who were not employees of the Lancaster County Court.

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 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 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, and a review of compensating controls and practices.

Access by the three non-Judicial Branch individuals was approved by the State Court Administrator and Deputy Director for Information Technology.

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, 2024. Reconciliations were attempted throughout calendar years 2023 and 2024; however, the reconciling items noted by the County Court were inaccurate. The County Court worked with financial specialists of the Supreme Court to complete the monthly reconciliations for 2024; however, all 12 months remained unbalanced as of testing in March 2025.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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

During our attestation, we also completed a December 31, 2024, bank reconciliation, in which we were able to fully balance. We noted the following uncorrected reconciling items that were not noted by the County Court:

- Two daily deposits in 2023 in which the amount deposited to the bank exceeded the amount recorded in the records by \$50.
- Three daily deposits in 2024 in which the amount deposited to the bank was less than the amount recorded in the records by \$265.
- One check, totaling \$225, was voided in the records but was subsequently cashed in November 2024.
- One check adjustment, totaling \$30, was made by the bank in August 2023; however, it was posted to the incorrect bank account and never should have been deducted by the bank.

Additionally, we noted that the County Court had two reconciling items on their bank reconciliation that were not correct:

- A duplicate receipt issued in July 2024, totaling \$74; however, this balance was actually received and was not a duplicate.
- A deposit error was noted in July 2024, totaling \$70; however, the variance between the bank and the records was only \$50.

Sound accounting practices 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 issue in previous examinations.

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 agrees with the recommendations. Significant progress has been made on the reconciliation. The court and the AOCF have assigned additional resources in 2025 to address the issues identified in recent audits and to provide additional financial training to staff.

3. **Bonds Held Issues**

The County Court lacked procedures for reviewing on an ongoing, timely basis bonds held to determine what, if any, follow-up action – such as the declaration of forfeiture and/or refunds of balances – is necessary to resolve those balances. During testing, we noted the following:

- Seven bonds tested, totaling \$13,901, were held on cases that had active warrants; however, the warrants were issued between 2015-2021, with no subsequent review of such amounts held. For two of the bonds tested, it was noted that the defendant had been deported, while one of the bonds tested had a lien previously attached for unpaid child support. The County Court does not have procedures to discuss the warrants or bonds held with the prosecutor or Judge to determine if holding the bonds, in some cases indefinitely, is the correct course of action.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Bonds Held Issues** (Concluded)

- Eight bonds tested, totaling \$2,972, were held on cases that were satisfied between November 2023 – August 2024. Each of these bonds tested had been garnished for unpaid child support; however, the County Court did not have procedures to notify the District Court cases that the bond was available for release to the garnishee.

Sound accounting practices and a good internal control plan require the County Court to have policies and procedures in place to ensure monies held, including bonds, are reviewed on a periodic basis, and appropriate follow-up action is taken to attempt to resolve the balances held.

Without such policies and procedures, there is an increased risk of loss, theft, of misuse of funds.

We recommend the County Court implement procedures to ensure balances held are reviewed on a periodic basis, and appropriate follow-up action is taken to resolve the balances held.

County Court Response: Lancaster County Court recognizes that bonds are held on cases with active warrants. These cases will be reviewed upon motion of the prosecutor. Since the findings were made in this report, a process is in place to notify the County Attorney that bond money is available on cases with liens for unpaid child support.

4. **Improper or Untimely Action Taken**

We tested 32 transactions, totaling \$23,233, that were either not addressed in a timely manner, not adequately supported, or not handled in accordance with State statute, as follows:

- Nine criminal cases and one traffic case tested applied bonds held to fines, totaling \$1,297; however, no support was on file to ensure the consent of the defendants prior to the application of the bonds.
- Two receipts tested, totaling \$174, were not applied to their respective cases until after inquiry in March 2025, almost eight months after the initial receipts. The failure to apply the balances received resulted in a warrant or suspension being issued on both cases. For one case, the suspension was subsequently cleared after a second payment was received; however, the remaining case had an active warrant until the error was caught during testing.
- Nine cases tested did not have the correct costs assessed, as follows:
 - One civil case tested had a judgment entered in October 2024, assessing \$2,952 against the defendant; however, the judgment was never entered into the system as an amount due until after inquiry during the attestation.
 - One traffic case, one civil case, and one small claims case tested had additional fees, totaling \$52, assessed erroneously. These errors were corrected after inquiry during the attestation.
 - Two criminal cases and three traffic cases had received payment of the non-waiverable fees from Lancaster County; however, the reimbursement of these fees, totaling \$17 per case, by the defendants were not entered in the system, causing the amounts due on the cases to be incorrect.
- Five civil cases tested had balances due, totaling \$17,762, as of fieldwork in March 2025; however, the balances should have been waived because a satisfaction of judgment had been filed between January 2024 to July 2024 on the cases.

LANCASTER COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

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

- For one criminal case and one traffic case tested, orders were filed in January 2023 and February 2024, respectively, to waive fines and costs, up to \$300, for time served in jail; however, no non-monetary receipt waiving the costs was recorded as of fieldwork in March 2025.
- In November 2023, costs were ordered to be in forma pauperis for one civil case and one small claims case tested; however, the costs, totaling \$311, had not been claimed to the County and instead were still showing as balances due as of fieldwork in March 2025.
- Non-monetary receipts, totaling \$300, were issued for two criminal cases tested, waiving costs for time served in jail; however, no supporting documentation was on file to support such waiver.

Neb. Rev. Stat. § 29-2206(3) (Cum. Supp. 2024) 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 noncompliance with State statute and the loss or misuse of funds.

We have noted a similar issue in the prior attestation.

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 address in a timely manner. The court will continue to dedicate resources and work with the AOCP to provide additional financial training to staff in order to modify policies and procedures. In addition, all issues identified were corrected during the audit process.

Regarding bond being applied to fines 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 the courtroom.



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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, 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 24, 2025

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 Fiscal Year Ended December 31, 2024

	Balance January 1, 2024	Additions	Deductions	Balance December 31, 2024
ASSETS				
Cash and Deposits	\$ 2,349,152	\$ 11,614,302	\$ 11,616,922	\$ 2,346,532
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 31,468	\$ 926,489	\$ 916,882	\$ 41,075
Law Enforcement Fees	3,554	98,067	97,765	3,856
State Judges Retirement Fund	28,073	759,085	755,479	31,679
Court Administrative Fees	20,294	528,289	529,962	18,621
Legal Services Fees	15,386	407,592	406,774	16,204
Due to County Treasurer:				
Regular Fines	35,552	1,259,888	1,251,505	43,935
Overload Fines	3,901	32,421	33,822	2,500
Regular Fees	2,720	251,359	245,002	9,077
Petty Cash Fund	1,000	-	-	1,000
Municipality Fines	40,737	1,280,699	1,273,464	47,972
Due to Municipalities:				
Regular Fees	204	115,371	115,201	374
Trust Fund Payable	2,166,263	5,955,042	5,991,066	2,130,239
Total Liabilities	\$ 2,349,152	\$ 11,614,302	\$ 11,616,922	\$ 2,346,532

The accompanying notes are an integral part of the Schedule.

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

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.