

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

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Issued on April 8, 2025

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Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

Chadd Addison – Auditor II

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

MERRICK COUNTY COURT

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MERRICK COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Merrick 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 #2 (“Overdue Balances”) and #3 (“Monthly Case Balances”), which are considered to be significant deficiencies, 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.
- 3. *Monthly Case Balances:*** The County Court did not review case balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
- 4. *Unclaimed Property:*** The County Court did not report and remit trust balances over three years old to the State Treasurer, as required by 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.

MERRICK 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 staff included the Clerk Magistrate and a Courtroom Clerk. We noted further that Merrick County Court access had been given also to two other Court staff and three other State employees who were not employees of the Merrick County Court.

The following errors were noted:

- Adjustments, totaling \$4,446, were noted on the Court's December 2024 bank reconciliation that had yet to be resolved as of testing.
- One case tested had \$1,062 in fines and costs due; however, they had been determined uncollectible in July 2024.
- One case had \$32 in costs waived in April 2024; however, the jail time served satisfying those costs was completed in March 2022.
- One case had \$32 in costs waived in March 2024; however, the jail time served satisfying those costs was completed in March 2023.
- One case had a \$14 balance waived in February 2025; however, there was no supporting documentation for the waiver.

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. We further recommend the County Court ensure that costs are waived timely and accurately.

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.

MERRICK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Segregation of Duties** (Concluded)

The Administrative Office of the Courts and Probation (AOCB) 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 AOCB 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.

With regard to the errors cited, the Merrick County Court has put steps in place to ensure any oversight and the timely adjustments to waived costs.

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 nine overdue balances, eight balances, totaling \$1,904, as of January 31, 2025, 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.

- One overdue case balance of \$555 should have had \$300 waived in January 2019, and the remaining amount should have been waived in April 2023.
- One overdue case balance of \$540 for probation fees has not been followed up on since May 2022.
- One overdue case had a balance of \$450, and a warrant has been outstanding since July 2020. However, the \$17 in non-waivable costs have yet to be claimed from the County (required one year after complaint is filed within the case), and no follow-up has occurred on the balance.
- One overdue case balance from 2001 for \$223 could not be supported because the Court stated the contents of the case were purged in 2016. A suspension was issued in February 2001; however, no further follow-up has been performed.
- One overdue case balance of \$75 should have been waived in September 2021, when the case was dismissed.
- One overdue case balance of \$30 was incorrect because the probation enrollment fee had incorrectly been assessed twice within the case in January 2023.
- One overdue case balance of \$17 was for fees to reimburse the County; however, a dismissal was filed in November 2020, and the balance should have been satisfied at this time.
- One overdue case had a \$14 balance and was dismissed in March 2024; however, documentation noted the defendant was still required to pay the \$14. There was no follow-up on this amount until February 2025, when the amount was waived.

As of January 31, 2025, overdue balances, excluding restitution judgments, totaled \$18,117.

MERRICK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Overdue Balances** (Concluded)

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 Court processes the overdue case balance report as practicable. The current Courts review of the January 3, 2025 Report balance of \$18,076.00 includes the total of \$7,883.00 of court case balances specific to active Warrants and/or Suspensions. The Report also includes the \$4,900 specific to outstanding Probation fees.

Regarding the \$30.00 collection of the Probation fee assessed twice within the same case. The Probation fee was Ordered by the Court on a Revoked Probation, and new Order of Probation following proceedings on a Motion to Revoke Probation.

In general, the Merrick County Court has implemented steps and procedures to timely review the Overdue Case Account reports to ensure the timely collection and/or resolution of its overdue balances.

APA Response: The dollar amounts noted in the Court's response were not verified by the APA. Additionally, simply noting the type of fee that is past due and if there was a warrant or suspension, is not a sufficient follow up action. We recommend periodic review of the cases with the Probation Officer, Judge or County Attorney to ensure appropriate resolution of the balances.

3. **Monthly Case Balances**

During testing of the Court's monthly case balances, we noted the following for five of those balances:

- One case balance held for \$3,150 was for bonds. The case was bound over to the Merrick County District Court in September 2023; however, the Court neglected to remit this bond to the District Court until the date the Auditor of Public Accounts (APA) began field work.
- One case balance held for \$2,700 was for a bond that was declared forfeited in December 2020 along with a warrant being issued at the same time. However, the Court has not issued a judgment on forfeiture of the bond money and has not followed up on the balance since a replacement warrant was issued in December 2022.
- One case balance held for \$900 had a warrant issued in December 2021 for failure to appear; however, the Court has not followed up on this balance since that time.
- One case balance held of \$293 was for the overpayment of a citation. The amount was attempted to be refunded back to the defendant in April 2023 but was not cashed. However, the Court neglected to deduct \$17 in non-waivable costs originally paid by the County, resulting in the balance being overstated.
- One balance held for \$90 was for a bond that was attempted to be refunded to the assignee in August 2020 but was never cashed. The funds were due to the State Treasurer's Unclaimed Property Division by November 2024; however, the Court failed to remit these funds and instead issued a replacement check in February of 2025 (also included in Comment #4).

MERRICK COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Monthly Case Balances (Concluded)

Good internal control and sound business practices require the County Court to implement procedures to ensure all balances held by the Court are adequately reviewed, and follow-up action is taken in a timely manner.

Without a regular review of the Monthly Case Balance Reports, there is an increased risk that monthly case balances may not be either correct or current.

We recommend the County Court implement procedures to ensure a documented review of the Monthly Case Balances and disbursement or resolution of balances is performed timely.

County Court Response: The noted case 'forfeited' bonds specifically the bonds totaling \$2,700.00, were for two bonds that the Court Revoked but in which the County Attorney had not filed a Motion for Judgment of Forfeiture. The Court cannot issue a judgment on forfeiture without the filing of the Motion by the County Attorney.

There is currently no differentiation of language between a revoked bond and forfeited bond within the UPDBOND page in Justice. The specified bonds were no longer within the jurisdiction of the County Court as the Case was Boundover to District Court. This issue has been resolved.

The Merrick County Court has implemented procedures to ensure a documented review of the Monthly Case Balances and disbursement, or resolution of the balances is performed timely.

4. Unclaimed Property

Per Neb. Rev. Stat. § 69-1307.01 (Reissue 2018), which is found in the Uniform Disposition of Unclaimed Property Act (Act), intangible personal property held by a court and unclaimed for more than three years is presumed to be abandoned.

Neb. Rev. Stat. § 69-1310 (Cum. Supp. 2024) of the Act requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

During testing, it was noted that outstanding balances held by the County Court were not followed up on properly, resulting in, at minimum, five of those balances, totaling \$2,771, being outstanding for over three years. Contrary to State statute, however, those balances were not remitted to the State Treasurer as abandoned property.

We recommend the implementation of procedures to ensure all property presumed abandoned, including outstanding checks, is remitted timely to the State Treasurer, as required by State statute.

County Court Response: The Merrick County Court has implemented procedures to ensure all property presumed abandoned, including outstanding checks, is remitted timely to the State Treasurer.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov

PO Box 98917

State Capitol, Suite 2303

Lincoln, Nebraska 68509

402-471-2111, FAX 402-471-3301

auditors.nebraska.gov

MERRICK COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Merrick County Court
Central City, Nebraska 68826

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Merrick 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 7, 2025



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

MERRICK COUNTY COURT
CENTRAL 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	\$ 60,971	\$ 326,621	\$ 311,960	\$ 75,632
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,253	\$ 31,453	\$ 30,765	\$ 1,941
Law Enforcement Fees	252	2,932	2,969	215
State Judges Retirement Fund	1,853	22,660	22,644	1,869
Court Administrative Fees	1,325	14,550	14,686	1,189
Legal Services Fees	1,042	12,345	12,438	949
Due to County Treasurer:				
Regular Fines	6,475	75,815	78,579	3,711
Overload Fines	600	4,375	4,975	-
Regular Fees	53	3,708	3,412	349
Petty Cash Fund	60	-	-	60
Trust Fund Payable	48,058	158,783	141,492	65,349
Total Liabilities	\$ 60,971	\$ 326,621	\$ 311,960	\$ 75,632

The accompanying notes are an integral part of the Schedule.

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

1. Criteria

A. Reporting Entity

The Merrick 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 Merrick 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.