

**ATTESTATION REPORT
OF
SEWARD COUNTY COURT**

JANUARY 1, 2024, THROUGH DECEMBER 31, 2024

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SEWARD COUNTY COURT

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SEWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Seward 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 (“County Court Accounting Deficiencies”), #3 (“Improper or Untimely Action Taken”), #4 (“Overdue Balances”) and #5 (“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. ***County Court Accounting Deficiencies:*** The County Court failed to maintain operation of adequate procedures, which resulted in various accounting deficiencies during the reporting period.
3. ***Improper or Untimely Action Taken:*** The County Court failed to address eight items in a timely manner or take action in accordance with relevant regulations.
4. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing and timely basis to ensure collection and/or resolution of such balances.
5. ***Monthly Case Balances:*** The County Court did not review cases 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.

SEWARD 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. This included the Clerk Magistrate, an Assistant Clerk, and a Courtroom Clerk of Seward County Court. We noted further that Seward County Court access had been given also to eight other Clerk Magistrates, including one with two different IDs; five Assistant/Courtroom Clerks; and three other State employees who were not employees of the Seward 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 (AOC) 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 AOC 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 (AOC) 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 AOC 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.

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

2. County Court Accounting Deficiencies

We noted various deficiencies in the operation of accounting processes and procedures during the reporting period, as follows:

SEWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. County Court Accounting Deficiencies (Continued)

- For one criminal case tested, the Auditor of Public Accounts (APA) noted that a defendant's \$450 appearance bond held by the Court was to be applied to \$175 in fines and costs in the case and \$150 in an additional case of the defendant's within the County Court, with \$125 to be refunded after application of the bond. However, the Court voided the defendant's original bond receipt and applied non-monetary receipts for all costs due within the two cases. This resulted in no costs being shown as due or paid in these two cases; however, \$450 had been received.

By unnecessarily voiding the \$450 receipt in JUSTICE, a \$450 variance was noted on the Court's bank reconciliation. To correct the variance, the Court inappropriately entered receipts into two unrelated cases that had already been resolved. As a result of this inappropriate application, the Court mistakenly wrote a duplicate \$435 check to a victim within one of the unrelated cases for restitution that had already been paid and satisfied four months prior. The remaining \$15 was sitting within the trust balance of the other unrelated case as of testing. Because of the inadequate attempt to resolve the issue, the defendant in the initial cases was never refunded the \$125 of bond money, and remaining fines and costs within the case were not remitted to the State and County Treasurers.

- For one voided check tested of \$1,800, the physical check on hand by the Court was not physically voided.
- During testing, the APA noted that the Court had two sets of checks (one set of manual and another of printer checks) at one point in time with the same numbers. For one check tested, the Court had written a printer check, subsequently voided the check in JUSTICE, and wrote the manual check for a different amount and payee for a different case.
- During August 2024, the Court had attempted to correct an error in a deposit by recording a \$3 receipt. However, this item has been a reconciling item being present on each monthly bank reconciliation since August 2024, and the error has not been resolved as of testing.
- During a cash count conducted by the APA as a part of field work, it was noted that two of the four cash drawers used by the Court did not agree to the balance reports per the JUSTICE system. For one drawer, the balance was \$1 short, and the other drawer was \$5 long.

The APA also noted during the cash count that the Court had receipted one check for \$10,000 from the Seward County Jail for a bond. However, the receipt entered into the JUSTICE system was for only \$1,000. This \$9,000 error was subsequently corrected after notification by the APA.

Neb. Rev. Stat. § 29-901(3)(c)(i) (Cumm. Supp. 2024) states, in relevant part, the following:

The execution of an appearance bond in a specified amount and the deposit with the clerk of the court in cash of a sum not to exceed ten percent of the amount of the bond, ninety percent of such deposit to be returned to the defendant upon the performance of the appearance or appearances and ten percent to be retained by the clerk as appearance bond costs, except that when no charge is subsequently filed against the defendant or if the charge or charges which are filed are dropped before the appearance of the defendant which the bond was to assure, the entire deposit shall be returned to the defendant.

Good internal control and sound business practices require procedures to ensure that accounting and operational activities within the Court are performed in a manner that ensures accuracy of the financials, the Court's JUSTICE system, and compliance with State statute.

SEWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **County Court Accounting Deficiencies** (Concluded)

Without such procedures, there is an increased risk of noncompliance with State statute, misstatements to the financials, and the loss or misuse of funds.

We recommend the County Court implement procedures to ensure 1) treatment of bond money and application of fines and costs is accurate and within compliance of State statute; 2) all manual checks are voided or destroyed; 3) bank reconciliation variances or adjustments are resolved timely; 4) cash drawers are balanced on a frequent basis; and 5) checks received by the Court are entered into the system accurately.

County Court Response: I have requested assistance in resolving the finding regarding the criminal case. The finding regarding checks has been resolved by voiding the physical check and destroying the manual checks. The deposit error was resolved on 3/12/2025. The drawers were balanced as of 3/10/2025.

3. **Improper, Untimely, or Unsupported Action Taken**

We tested eight items that were not addressed in a timely manner, not handled appropriately, or lacked support for their final disposition, as follows:

- During testing, it was noted that one claim for Seward County in the amount of \$556 was submitted in March 2024. As of testing, this claim has yet to be paid by the County.
- Three non-case receipts were held by the Court as of year-end, totaling \$348, that the Court had not attempted to refund back to the depositor when no citation or complaint had been filed. One receipt for \$74 was received in September 2022, one receipt for \$74 was received in November 2022, and one receipt for \$200 was received in February 2024.
- State statute requires the Court to disburse fees due to the State Treasurer within 10 days of the end of the month when such fees are collected. For the month of August 2024, the Court did not remit \$8,584 in collected funds due to the State Treasurer until October 8, 2024, or 28 days after the deadline.
- For one traffic case tested, the defendant made a \$199 payment towards fines and costs within the case in October 2024. A count from the citation was subsequently dropped by the prosecution, which resulted in an overpayment of \$75. As of testing, the Court had not attempted to refund this overpayment to the defendant.
- For one criminal case tested, the non-waivable court costs assessed in January 2024 in the amount of \$17 had yet to be paid by the County as of testing. This is directly related to the outstanding County claim referred to above.
- For an additional criminal case tested, the defendant had sat out court costs in jail per documentation filed with the Court in April 2024. However, \$1 in costs satisfied by the jail time were not applied to the defendant's balance as of testing and still show as a balance due.

Neb. Rev. Stat. § 33-107.01 (Reissue 2016) states, in part, the following:

A legal services fee of six dollars and twenty-five cents shall be taxed as costs in each case filed in each separate juvenile court and district court . . . Such fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the close of each month for credit to the Legal Aid and Services Fund

SEWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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

Neb. Rev. Stat. § 33-107.03 (Reissue 2016) states, in part, the following:

In addition to all other court costs assessed according to law, a court automation fee of eight dollars shall be taxed as costs for each filed in each county court, separate juvenile court, and district court . . . The fees shall be remitted to the State Treasurer on forms prescribed by the State Treasurer within ten days after the close of each month.

Good internal control and sound accounting practices require procedures to ensure that proper action on balances held or due on cases is completed in a timely manner and in compliance with relevant statutory requirements. Those procedures also require the timely receipt of any monies collected and timely application of such monies to the related cases. Additionally, such procedures require the timely remittance of fees collected to the State Treasurer.

Without such procedures, there is an increased risk of noncompliance with State statute and the loss or misuse of funds.

We recommend the County Court implement procedures to ensure: 1) all actions taken comply with applicable statutory requirements; 2) all actions are taken in a timely manner; 3) documentation is on file to support the application of any bonds held to fines and costs; and 4) Court fees and costs are remitted to the State Treasurer in a timely manner.

County Court Response: The unpaid claim to the county has been resubmitted for payment and will be resolved once payment is received. All refunds have been issued to the depositors and all overpayments have been refunded. The \$1 not satisfied has been corrected. Regarding the finding that fees were not disbursed per the state statute, we have updated our policy to issue those checks the first business day of the month.

4. **Overdue Balances**

During testing, we noted that five overdue balances, totaling \$799, did not have timely action taken by the County Court, such as the issuance of non-monetary receipts, 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 \$641 balance was shown as due; however, the defendant served five days of jail time to cover all of these costs per documentation filed on January 21, 2025.
- One \$33 balance was noted as due; however, \$120 in drug testing fees ordered in August 2021 had not been assessed within the case, resulting in \$153 that should be due. Additionally, no action had been taken within the case since August 2022.
- One case had a balance due of \$75 for costs that were assessed in April 2024. The defendant made a payment in March 2024 for restitution and an additional \$5 towards the amount due. Additionally, the defendant had \$900 in bonds held on the case. Instead of applying the additional \$5 received or the bond amount to the costs due on the case, the Court refunded the \$905 back to the defendant in July 2024. No activity has occurred on the case since October 2024.
- One \$49 balance was noted as due; however, the defendant paid this amount in January 2025, and the Court had not applied this payment to the balance due.

SEWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. Overdue Balances (Concluded)

- One case showed a \$1 balance due by the defendant for certified copy fees assessed in January of 2024. No action had been taken by the Court to resolve or collect this balance since the fee was assessed.

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.

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: We have implemented a policy of reviewing the overdue balances on a monthly basis. All findings of overdue balances have been reviewed. Those overdue balances that were able to be corrected have been.

5. Monthly Case Balances

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

- One balance held of \$40 was for a traffic citation overpayment that occurred in July 2024. However, \$14 of this overpayment should have been assessed as a reimbursement to the County for non-waivable costs previously paid, and \$26 should have been refunded back to the defendant.
- Two balances held, each for \$17, were for traffic citation overpayments that occurred in March and July 2024. However, the entirety of both of these overpayments should have been assessed as reimbursements to the County for non-waivable costs previously paid.
- One balance for \$270 was from an appearance bond filed in October 2019. A warrant was issued in April 2021 and again in July 2023. There has been no follow-up on the case to determine if the bond should be forfeited.

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 both a documented review of the Monthly Case Balance Reports and the disbursement or resolution of balances are performed timely.

County Court Response: We have implemented a policy to review monthly case balances on a monthly basis. All overpayments received have been applied to the cases as needed and any remaining funds have been refunded to the defendants. On the finding of the Appearance Bond, this has been reviewed with our Judge and found that no Motion to Forfeit Bond has been filed by the County Attorney.



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SEWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Seward County Court
Seward, Nebraska 68434

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



March 24, 2025

Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

SEWARD COUNTY COURT
SEWARD, 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	\$ 122,841	\$ 792,560	\$ 766,907	\$ 148,494
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,057	\$ 66,030	\$ 60,014	\$ 9,073
Law Enforcement Fees	250	3,400	3,406	244
State Judges Retirement Fund	1,972	26,204	26,071	2,105
Court Administrative Fees	1,105	29,716	29,249	1,572
Legal Services Fees	1,088	14,232	14,231	1,089
Due to County Treasurer:				
Regular Fines	10,974	114,485	118,736	6,723
Overload Fines	-	975	975	-
Regular Fees	3,742	25,425	28,575	592
Petty Cash Fund	500	-	-	500
Municipality Fines	40	3,666	3,382	324
Due to Municipalities:				
Regular Fees	80	165	245	-
Trust Fund Payable	100,033	508,262	482,023	126,272
Total Liabilities	\$ 122,841	\$ 792,560	\$ 766,907	\$ 148,494

The accompanying notes are an integral part of the Schedule.

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

1. Criteria

A. Reporting Entity

The Seward 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 Seward 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.