

**ATTESTATION REPORT  
OF  
JOHNSON COUNTY COURT  
JULY 1, 2012 THROUGH JUNE 30, 2014**

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**Issued on April 29, 2015**

# JOHNSON COUNTY COURT

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# JOHNSON COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Johnson County Court, we noted certain deficiencies and other operational matters that are presented here.

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. ***Review of Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure such balances were complete and accurate.
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 hereafter. 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.

# JOHNSON 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 the office of the County Court lacked a segregation of duties. Specifically, one person was capable of handling all aspects of processing transactions from beginning to end. 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 included this comment in previous examinations. We consider this to be a material weakness.

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.

*County Court's Response: It is always my aim to comply with audit standards. I was informed by the people performing the audit, that due to our court having less than two employees, complete segregation of duties is not attainable.*

### 2. Review of Trust Balances

Good internal control requires the County Court to have procedures in place to provide an ongoing, detailed review and resolution of trust balances reflected on the County Court's monthly financial reports, including the Monthly Case Balance Report and the Report of Non-Case Receipts.

During review of the County Court's fiscal year end trust balances, we noted the following:

- Three balances, totaling \$49, were not properly applied to the filing fees.
- Four balances related to defendant overpayments, totaling \$150, had been received by the County Court with no subsequent attempt to refund the overpayments to the defendants.

A similar finding was noted in the prior report.

Without adequate controls in place to ensure the complete, accurate, and timely review and resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

# JOHNSON COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 2. Review of Trust Balances (Concluded)

We recommend the County Court implement procedures to ensure trust balances are timely reviewed for completeness, accuracy, and proper disposition.

*County Court's Response: I will attempt to review the trust and overdue balances more frequently. I have been in contact with personnel from the Court Administrator's office (and am currently awaiting their response) to see if perhaps the Financial Specialist could offer some assistance in helping me to bring these areas into compliance. As a shared Clerk Magistrate for two courts and being the only employee in one of those courts, time constraints are often a problem.*

### 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 otherwise resolve those balances.

During testing of 10 overdue balances, 8, totaling \$2,024, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or the suspension or declaration of certain overdue balances as uncollectible. As of April 4, 2015, overdue balances, excluding restitution judgments, totaled \$14,251. A similar finding was noted in the prior report.

Without a regular review, there is an increased risk overdue balances may either not have proper follow-up action taken or have been previously resolved and should no longer be reflected as being overdue.

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

*County Court's Response: I will attempt to review the trust and overdue balances more frequently. I have been in contact with personnel from the Court Administrator's office (and am currently awaiting their response) to see if perhaps the Financial Specialist could offer some assistance in helping me to bring these areas into compliance. As a shared Clerk Magistrate for two courts and being the only employee in one of those courts, time constraints are often a problem.*



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### JOHNSON COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Johnson County Court as of and for the fiscal years ended June 30, 2014, and June 30, 2013. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of the Johnson County Court, as of June 30, 2014, and June 30, 2013, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and the finding, along with the views of management, is described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Pat Reding, CPA  
Assistant Deputy Auditor

April 8, 2015

**JOHNSON COUNTY COURT**  
**TECUMSEH, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
<b>ASSETS</b>				
Cash and Deposits	\$ 25,934	\$ 162,152	\$ 171,262	\$ 16,824
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 2,267	\$ 22,500	\$ 23,048	\$ 1,719
Law Enforcement Fees	227	1,957	2,015	169
State Judges Retirement Fund	823	6,681	6,900	604
Court Administrative Fees	1,023	11,166	11,195	994
Legal Services Fees	756	7,159	7,316	599
Due to County Treasurer:				
Regular Fines	4,528	47,809	49,206	3,131
Overload Fines	75	3,000	3,075	-
Regular Fees	278	4,196	4,472	2
Due to Municipalities:				
Regular Fines	-	575	550	25
Regular Fees	-	15	-	15
Trust Fund Payable	15,957	57,094	63,485	9,566
Total Liabilities	\$ 25,934	\$ 162,152	\$ 171,262	\$ 16,824

The accompanying notes are an integral part of the schedule.

**JOHNSON COUNTY COURT**  
**TECUMSEH, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<b>ASSETS</b>				
Cash and Deposits	\$ 17,176	\$ 135,572	\$ 126,814	\$ 25,934
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 1,345	\$ 18,914	\$ 17,992	\$ 2,267
Law Enforcement Fees	152	1,692	1,617	227
State Judges Retirement Fund	476	5,676	5,329	823
Court Administrative Fees	1,208	9,828	10,013	1,023
Legal Services Fees	552	6,023	5,819	756
Due to County Treasurer:				
Regular Fines	4,165	40,408	40,045	4,528
Overload Fines	-	725	650	75
Regular Fees	32	5,755	5,509	278
Due to Municipalities:				
Regular Fines	175	396	571	-
Trust Fund Payable	9,071	46,155	39,269	15,957
Total Liabilities	\$ 17,176	\$ 135,572	\$ 126,814	\$ 25,934

The accompanying notes are an integral part of the schedule.

**JOHNSON COUNTY COURT**  
**NOTES TO FINANCIAL SCHEDULES**  
For the Fiscal Years Ended June 30, 2014, and June 30, 2013

**1. Criteria**

**A. Reporting Entity**

The Johnson 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 Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court, including the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The Schedules do 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 Johnson County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions have 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. 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 2008). 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.