

**ATTESTATION REPORT  
OF  
LINCOLN COUNTY COURT**

**JULY 1, 2014, THROUGH DECEMBER 31, 2016**

**This document is an official public record of the State of Nebraska, issued by  
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original  
document and may be prohibited by law.**

**Issued on May 22, 2017**

# LINCOLN COUNTY COURT

## TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<b><u>Financial Section</u></b>	
Independent Accountant's Report	5 - 6
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Period July 1, 2015, to December 31, 2016	7
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2015	8
Notes to Financial Schedules	9

# LINCOLN COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of the Lincoln 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: Comment #1, 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. ***Monthly Report Review:*** The Monthly Case Balance Report was not reviewed, with corrective action taken when necessary to resolve issues.
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. 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.

# LINCOLN 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. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge.

The following were noted:

- Access to and use of signature stamps was not limited to the individual whose name was on the stamp.
- Testing identified two County Court employees, with civil cases against them, one of which handles money of the Court and accounting records.
- Interest earned on investments was not being receipted or adjusted onto the case balances in a timely manner.
- A non-monetary receipt for \$2,514 lacked supporting documentation.

We recommend the County Court and the Nebraska State Court Administrator review this situation.

*County Court's Response: The first issue reported was the access to and use of signature stamps not being limited to the individual whose name was on the stamp. In order to limit the use of signature stamps, each Judge and Clerk Magistrate have signed and completed Signature Stamp Authorization forms limiting the use of signature stamps to certain staff members for specific reasons. These forms have been filed with the Administrative Office of the Courts.*

*The second issue reported was that there are two County Court employees, with civil cases against them, one of which handles money of the Court and accounting records. The Court is aware of these cases, has spoken to the appropriate staff, and is monitoring their progression to ensure that they are handled appropriately per statute.*

*The third issue reported was that interest earned on investments was not being receipted or adjusted onto case balances in a timely manner. With recent changes in management and staff, the Court was unaware that these accounts and statements existed. The statements have since been obtained and interest will be added to the appropriate cases. The Accounting Clerk will monitor these cases to ensure interest is receipted in a timely manner as these statements are received.*

# LINCOLN COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. Segregation of Duties (Concluded)

*The fourth issue reported is a non-monetary receipt for \$2,514 which lacked supporting documentation. The Court is no longer in possession of this case file and is unable to determine why the non-monetary receipt was issued. Under new management, a policy has been put in place to verify that there is supporting documentation to cite it when issuing non-monetary receipts.*

### 2. Monthly Report Review

Good internal control requires the County Court to have procedures in place that provide an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report. In addition, sound accounting practices require procedures to be in place to ensure the complete and accurate posting of defendant payments to their respective cases.

During testing of the June 30, 2015, and December 31, 2016, case balances, the following were noted:

- Three instances of fines and costs not being applied timely, resulting in an erroneous suspension of the individual's license.
- Three traffic cases with duplicate payments received, totaling \$344, were not refunded in a timely manner.
- One restitution balance, totaling \$259, was turned over as unclaimed property without first attempting to pay out.

This comment was included in prior-year reports.

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities, which would not be detected and/or resolved in a timely manner.

We strongly recommend the County Court perform a detailed review of all monthly financial reports, including the Monthly Case Balance Report, and resolve any unattached and/or unusual balances in a complete, accurate, and timely manner.

*County Court's Response: The first issue reported three instances of fines and costs not being applied in a timely manner, resulting in an erroneous suspension of an individual's license and multiple duplicate payments which were not refunded in a timely manner. Recent management and staff changes have identified multiple issues and deficiencies that were not properly identified by previous staff members. After attending trainings and speaking with Financial Specialists, a plan has been put in place to review all monthly financial reports to identify and resolve any financial issues in a timely manner.*

*The second issue reported is a restitution balance turned over to unclaimed property without first attempting to pay out. Not attempting to send out the restitution balance was a staff oversight.*

# LINCOLN 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 otherwise resolve those balances.

During testing of 10 overdue balances, 3, totaling \$1,509, 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 suspensions or declaration of certain overdue balances as uncollectible. As of April 22, 2017, overdue balances, excluding restitution judgments, totaled \$41,330.

Without regular review of overdue case balances, 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 the timely collection and/or resolution of overdue balances.

*County Court's Response: The draft reported three instances of overdue case balances that did not have subsequent action taken by the Court to ensure collection or resolution of balances. Recent staff and management changes have identified multiple deficiencies regarding the review of reports. After attending trainings and speaking with Financial Specialists, a plan has been put in place to review all Overdue Case Account reports to identify issues and ensure the timely collection or resolution of all overdue case balances.*



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen  
State Auditor

Charlie.Janssen@nebraska.gov  
PO Box 98917  
State Capitol, Suite 2303  
Lincoln, Nebraska 68509  
402-471-2111, FAX 402-471-3301  
www.auditors.nebraska.gov

### LINCOLN COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Lincoln County Court as of and for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015. The County Court's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules 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 plan and perform the examination to obtain reasonable assurance about whether the Schedules are 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 Schedules 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 Schedules, 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.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015, are 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 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, CFE  
Assistant Deputy Auditor  
Lincoln, Nebraska

May 18, 2017

**LINCOLN COUNTY COURT**  
**NORTH PLATTE, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Period Ending December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
<b>ASSETS</b>				
Cash and Deposits	\$ 669,601	\$ 3,045,184	\$ 3,320,392	\$ 394,393
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 20,616	\$ 357,501	\$ 357,899	\$ 20,218
Law Enforcement Fees	2,125	35,452	35,546	2,031
State Judges Retirement Fund	7,195	146,628	145,374	8,449
Court Administrative Fees	16,415	219,645	224,974	11,086
Legal Services Fees	7,444	128,054	127,707	7,791
Due to County Treasurer:				
Regular Fines	38,899	647,454	648,649	37,704
Overload Fines	31,325	286,282	304,030	13,577
Regular Fees	3,435	46,623	49,031	1,027
Petty Cash Fund	500	50	-	550
Due to Municipalities:				
Regular Fines	1,136	13,577	14,309	404
Regular Fees	790	9,709	10,174	325
Trust Fund Payable	539,721	1,154,209	1,402,699	291,231
<b>Total Liabilities</b>	<b>\$ 669,601</b>	<b>\$ 3,045,184</b>	<b>\$ 3,320,392</b>	<b>\$ 394,393</b>

The accompanying notes are an integral part of the schedule.

**LINCOLN COUNTY COURT**  
**NORTH PLATTE, NEBRASKA**  
**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**  
For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<b>ASSETS</b>				
Cash and Deposits	\$ 351,367	\$ 2,521,046	\$ 2,202,812	\$ 669,601
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 21,182	\$ 263,874	\$ 264,440	\$ 20,616
Law Enforcement Fees	2,039	24,611	24,525	2,125
State Judges Retirement Fund	7,100	84,659	84,564	7,195
Court Administrative Fees	14,223	171,109	168,917	16,415
Legal Services Fees	7,286	87,401	87,243	7,444
Due to County Treasurer:				
Regular Fines	39,422	451,211	451,734	38,899
Overload Fines	15,150	231,381	215,206	31,325
Regular Fees	4,684	38,108	39,357	3,435
Petty Cash Fund	550	-	50	500
Due to Municipalities:				
Regular Fines	860	12,862	12,586	1,136
Regular Fees	360	7,573	7,143	790
Trust Fund Payable	238,511	1,148,257	847,047	539,721
<b>Total Liabilities</b>	<b>\$ 351,367</b>	<b>\$ 2,521,046</b>	<b>\$ 2,202,812</b>	<b>\$ 669,601</b>

The accompanying notes are an integral part of the schedule.

LINCOLN COUNTY COURT  
NOTES TO FINANCIAL SCHEDULES

For the Period Ended December 31, 2016, and Fiscal Year Ended June 30, 2015

**1. Criteria**

**A. Reporting Entity**

The Lincoln 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 Lincoln 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 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.