

**ATTESTATION REPORT  
OF  
LINCOLN COUNTY COURT**

**JANUARY 1, 2017, THROUGH DECEMBER 31, 2017**

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**Issued on April 24, 2018**

# LINCOLN COUNTY COURT

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# LINCOLN COUNTY COURT

## SUMMARY OF COMMENTS

During our examination of Lincoln County Court, we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards*: 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. ***Monthly Case Balance Report Review:*** The Monthly Case Balance Report was not reviewed, with corrective action taken when necessary, to resolve issues.
3. ***Overdue Case 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

We noted 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. 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 comment in previous examinations.

Additionally, the following errors 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 who are defendants in pending civil cases. One of those employees handles the Court's money and accounting records.

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 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: The first issue was that one person was capable of handling all aspects of processing transactions from beginning to end. The Clerk Magistrate and the Accounting Clerk share the responsibilities so that we do not have the same person handling all aspects of the transaction.*

*The second 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 has signed and completed a Signature Stamp Authorization form 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. It was our understanding that as long as these forms were signed by the Judge and filed with the Administrative Office of the Courts, we were in compliance.*

*The third 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 two employees both have outside arrangements made with the Plaintiff and the Clerk Magistrate is the only one processing any filings on these cases.*

# LINCOLN COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. Segregation of Duties (Concluded)

**APA Response:** Although the Court may have established policies to segregate duties, the fact remains that one person could still handle a transaction from beginning to end, and while we hope all employees are honest and forthcoming, the purpose of an audit is to disclose areas where a dishonest employee could take advantage of a situation.

### 2. Monthly Case Balance Report Review

During the audit, the following was noted:

- One bond, totaling \$225, was ordered as forfeited in November 2016, but it was still held at the time of fieldwork in April 2018.
- One traffic case for which a partial payment of \$100 was received in October 2015 did not have a warrant or suspension issued for the remaining unpaid balance.
- Three receipts, totaling \$397, have been held for a period ranging from 179 days to 321 days without application to a case. Further, the County Court does not have a policy regarding the length of time a case balance should be held prior to refund.

Good internal control requires the County Court to have procedures for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report.

Without such procedures, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner. A similar comment was included in prior reports.

We recommend the County Court implement procedures for an ongoing, 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 a bond being forfeited but was still held. This has been resolved. This issue was from November 2016 and is not within the audit period of January 2017-December 2017.*

*The second issue reported was a traffic case where a partial payment was received in October of 2015 and there was no warrant or suspension issued. This has also been fixed. Neither the current Clerk Magistrate or Accounting Clerk were in position during 2015. This issue is not within the audit period of January 2017-December 2017.*

*The third issue reported three receipts that had been held without application to a case. We now have a policy in place to refund the money in three months if a case has not been filed by the County Attorney.*

# LINCOLN COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Concluded)

### 3. Overdue Case Balances

During testing of 10 overdue case balances, 3, totaling \$592, 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 those balances. As of March 17, 2018, overdue balances, excluding restitution judgments, totaled \$41,549.

In addition, during testing of employees, one civil case was noted in which a satisfaction was filed in September 2017; however, the balance owed, totaling \$1,712, was not cleared.

Good internal control and sound business practices require the County Court to implement procedures for an ongoing, timely review of its Overdue Case Account reports to determine what action should be taken to collect and/or resolve overdue balances.

Without such procedures, there is an increased risk that overdue case balances may either not have proper follow-up action taken or have been previously resolved and should no longer be designated as overdue. A similar comment was included in prior reports.

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

*County Court's Response: The draft reported ten 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.*

*The second issue reported was a Civil case that was not satisfied. On this particular case, the former Clerk Magistrate was handling and the Satisfaction was not put in JUSTICE. This case has been satisfied.*



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### LINCOLN COUNTY COURT

#### INDEPENDENT ACCOUNTANT'S REPORT

Lincoln County Court  
North Platte, Nebraska 69101

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Lincoln County Court as of and for the period January 1, 2017, to December 31, 2017. The County Court's management is responsible for the Schedule based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule 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 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, 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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the period January 1, 2017, to December 31, 2017, 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 findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule 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 Schedule 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 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.

April 20, 2018

A handwritten signature in black ink, appearing to read "Deann Haeffner". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Deann Haeffner, CPA  
Assistant Deputy Auditor  
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2017

|                              | <u>Balance</u>         |                     |                     | <u>Balance</u>           |
|------------------------------|------------------------|---------------------|---------------------|--------------------------|
|                              | <u>January 1, 2017</u> | <u>Additions</u>    | <u>Deductions</u>   | <u>December 31, 2017</u> |
| <b>ASSETS</b>                |                        |                     |                     |                          |
| Cash and Deposits            | \$ 394,393             | \$ 1,935,889        | \$ 2,077,433        | \$ 252,849               |
| <br>                         |                        |                     |                     |                          |
| <b>LIABILITIES</b>           |                        |                     |                     |                          |
| Due to State Treasurer:      |                        |                     |                     |                          |
| Regular Fees                 | \$ 20,218              | \$ 223,317          | \$ 227,160          | \$ 16,375                |
| Law Enforcement Fees         | 2,031                  | 23,488              | 24,098              | 1,421                    |
| State Judges Retirement Fund | 8,449                  | 105,645             | 107,111             | 6,983                    |
| Court Administrative Fees    | 11,086                 | 146,510             | 147,708             | 9,888                    |
| Legal Services Fees          | 7,791                  | 92,251              | 94,199              | 5,843                    |
| <br>                         |                        |                     |                     |                          |
| Due to County Treasurer:     |                        |                     |                     |                          |
| Regular Fines                | 37,704                 | 435,476             | 442,514             | 30,666                   |
| Overload Fines               | 13,577                 | 135,506             | 142,158             | 6,925                    |
| Regular Fees                 | 1,027                  | 30,087              | 29,618              | 1,496                    |
| Petty Cash Fund              | 550                    | -                   | -                   | 550                      |
| <br>                         |                        |                     |                     |                          |
| Due to Municipalities:       |                        |                     |                     |                          |
| Regular Fines                | 404                    | 22,808              | 20,069              | 3,143                    |
| Regular Fees                 | 325                    | 5,380               | 5,135               | 570                      |
| <br>                         |                        |                     |                     |                          |
| Trust Fund Payable           | 291,231                | 715,421             | 837,663             | 168,989                  |
| <b>Total Liabilities</b>     | <u>\$ 394,393</u>      | <u>\$ 1,935,889</u> | <u>\$ 2,077,433</u> | <u>\$ 252,849</u>        |

The accompanying notes are an integral part of the schedule.

LINCOLN COUNTY COURT  
NOTES TO FINANCIAL SCHEDULE  
For the Period Ended December 31, 2017

**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 Schedule 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 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 Lincoln County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained, and the Schedule 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.