

**ATTESTATION REPORT
OF
JOHNSON COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on May 23, 2019

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. 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. ***Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure payment 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.

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 to 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. 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 included this comment in previous examinations.

Additionally, the following errors were noted:

- One non-monetary receipt tested waived \$150 of probation fees; however, no supporting documentation was available, such as a judge's order, authorizing these fees to be waived.
- One non-monetary receipt tested, totaling \$801, was not entered into the accounting system until 57 business days after the County Court received supporting documentation that the defendant sat out these fines and costs in jail.
- On one receipt tested, we noted the County Court claimed \$50 of unpaid court costs to Johnson County; however, the defendant sat these costs out in jail. Therefore, the County Court should have entered a non-monetary receipt for these costs.

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.

Clerk Magistrate's Response: As stated in the Auditor's recommendation, this finding could be eliminated by the hiring of additional staff.

Regarding the errors noted, they are regrettable and if the employee who issued the receipts was still with the court, I would discuss the issues with her to avoid any possible reoccurrence.

2. Trust Balances

During the APA's review of a sample of 10 of the County Court's trust balances, we noted errors on four of those balances. Details of those errors are summarized in the table below:

JOHNSON COUNTY COURT
COMMENTS AND RECOMMENDATIONS
(Concluded)

2. Trust Balances (Concluded)

	Balance	Issue Description
Balance #1	\$ 18.00	Overpayment was received in August 2017, but refund was not issued until January 2019
Balance #2	\$ 76.00	Overpayment was received in July 2018, and still held as of audit fieldwork in April 2019. County Court had not attempted to refund the overpayment.
Balance #3	\$ 50.00	Overpayment was received in April 2018, but refund was not issued until January 2019.
Balance #4	\$ 24.00	Balance was received in December 2015. This fee was improperly assessed. No attempt to refund was made until questioned by the APA.
Total	\$ 168.00	

A similar finding was noted in the prior report.

Good internal control procedures and sound business practice require trust balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to refund and/or resolve those balances. Such procedures should include reviewing the trust balances reflected on the County Court’s monthly financial reports, including the monthly Case Balance Report.

Without adequate controls 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.

We recommend the County Court implement procedures to monitor monthly financial reports, including the monthly Case Balance Report, in order to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.

Clerk Magistrate’s Response: The court is working to review trust balances on a more consistent basis. As noted in the audit, several of the balances were reviewed and paid out in January, 2019, several months prior to the audit. Since I am a dual court Clerk Magistrate (and am the only employee in the other court), I rely primarily on my one employee in Johnson County to assist me with these functions. The noted errors have been corrected.



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JOHNSON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Johnson County Court
Tecumseh, Nebraska 68450

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 calendar years ending December 31, 2017, and December 31, 2018. 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 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 calendar years ending December 31, 2017, and December 31, 2018, 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 all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. 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 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 that finding, along with the views of management, is described in the Comments Section of the report.

The purpose of this report is to express an opinion on the Schedules 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.

A handwritten signature in black ink, appearing to read "C. J. Janssen", with a long horizontal flourish extending to the right.

May 20, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

JOHNSON COUNTY COURT
TECUMSEH, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and Deposits	\$ 22,671	\$ 152,746	\$ 158,243	\$ 17,174
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,471	\$ 17,465	\$ 17,306	\$ 1,630
Law Enforcement Fees	232	1,841	1,916	157
State Judges Retirement Fund	979	9,458	9,633	804
Court Administrative Fees	1,664	12,605	13,273	996
Legal Services Fees	829	7,709	7,856	682
Due to County Treasurer:				
Regular Fines	5,819	44,047	45,529	4,337
Overload Fines	750	9,550	9,700	600
Regular Fees	128	1,929	2,036	21
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	-	275	200	75
Trust Fund Payable	10,699	47,867	50,794	7,772
Total Liabilities	\$ 22,671	\$ 152,746	\$ 158,243	\$ 17,174

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 Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 391,670	\$ 256,527	\$ 625,526	\$ 22,671
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,301	\$ 19,748	\$ 19,578	\$ 1,471
Law Enforcement Fees	139	1,973	1,880	232
State Judges Retirement Fund	694	8,610	8,325	979
Court Administrative Fees	1,175	13,728	13,239	1,664
Legal Services Fees	627	7,803	7,601	829
Due to County Treasurer:				
Regular Fines	2,561	52,821	49,563	5,819
Overload Fines	-	4,950	4,200	750
Regular Fees	6	4,248	4,126	128
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	-	25	25	-
Trust Fund Payable	385,067	142,621	516,989	10,699
Total Liabilities	\$ 391,670	\$ 256,527	\$ 625,526	\$ 22,671

The accompanying notes are an integral part of the schedule.

JOHNSON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2017, and December 31, 2018

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 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.