

**ATTESTATION REPORT
OF
HOWARD COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

**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 June 29, 2022

*The **Nebraska Auditor of Public Accounts Office** was created by the first territorial Legislature in 1855. The Auditor was the general accountant and revenue officer of the territory. Those duties have expanded and evolved over the decades, as modern accounting theory has been implemented. The office of the Auditor of Public Accounts is one of six offices making up the executive branch of Nebraska State Government. Charlie Janssen was elected in November 2014 and re-elected in November 2018, as the Nebraska Auditor of Public Accounts. He was sworn into office on January 8, 2015, as Nebraska's 25th State Auditor.*

The mission of the Nebraska Auditor of Public Accounts' office is to provide independent, accurate, and timely audits, reviews, or investigations of the financial operations of Nebraska State and local governments.

We will provide this information, as required by statute, to all policymakers and taxpayers through written reports and our Internet-based Budget and Audit databases.

We will maintain a professionally prepared staff, utilizing up-to-date technology, and following current Government Auditing Standards.

Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

Brad Ashley, CPA – Audit Manager

Robert Giraud – Auditor-In-Charge

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

HOWARD COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2021	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2020	7
Notes to Financial Schedules	8

HOWARD COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Howard County Court, we noted certain deficiencies and other operational matters that are presented here. Comment #1, "Segregation of Duties," which is considered to be a material weakness, is required to be reported in accordance with *Government Auditing Standards*.

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. ***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.

HOWARD 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, as 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 County Court receipts and were able to record non-monetary transactions (e.g., waiving fines) in JUSTICE. We further noted that County Court access had also been given to seven other Clerk Magistrates within the district who were not employees of the 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 included this comment 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's Response: The Judicial Branch does not have the financial and human resource to meet audit guidelines for segregation of duties in all county courts. To reduce the risk of improper transactions, court financial specialists regularly review records and provide assistance to county courts.

2. Overdue Balances

During testing of five overdue balances, three, totaling \$718, 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 the balances, as follows:

- For one overdue balance, totaling \$80, the last action on the case occurred in March 2019.
- For two overdue balances, totaling \$638, the last action on the case occurred in February and March 2021.

As of February 28, 2022, overdue balances, excluding restitution judgments, totaled \$16,084.

Good internal control and sound business practices require procedures to ensure that overdue balances of the County Court are reviewed on an ongoing, timely basis, through a periodic examination of the Overdue Case Account reports, to determine what action should be taken to collect and/or resolve those balances.

Without such procedures, there is an increased risk of overdue balances either not having proper follow-up action taken or having been previously resolved and no longer needing to be designated as overdue.

HOWARD COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Overdue Balances (Concluded)

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: We will strive to review overdue balances at a minimum of once per month. We do attempt to do our best in trying to make contact with those who have outstanding balances as our goal is to collect the monies due rather than deem them uncollectible. I will also make notes in the case to show what attempts have been made as I understand that while I have been working on these outstanding balances, I have not made notes in individual cases to reflect attempts made.



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
auditors.nebraska.gov

HOWARD COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Howard County Court
Saint Paul, Nebraska 68873

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Howard County Court as of and for the calendar years ending December 31, 2020, and December 31, 2021. The County Court's management is responsible for the Schedules 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 Schedules 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 plan and perform the examination to obtain reasonable assurance about whether the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions 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 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 other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar years ending December 31, 2020, and December 31, 2021, 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; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to 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. 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 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 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.

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

June 27, 2022

HOWARD COUNTY COURT
ST. PAUL, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
CUSTODIAL FUNDS

For the Calendar Year Ended December 31, 2021

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
ASSETS				
Cash and Deposits	\$ 34,632	\$ 195,957	\$ 205,711	\$ 24,878
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 6,003	\$ 23,447	\$ 27,982	\$ 1,468
Law Enforcement Fees	115	1,715	1,706	124
State Judges Retirement Fund	680	9,563	9,435	808
Court Administrative Fees	1,005	12,841	12,770	1,076
Legal Services Fees	520	7,049	7,057	512
Due to County Treasurer:				
Regular Fines	5,211	57,927	59,616	3,522
Overload Fines	-	1,725	1,725	-
Regular Fees	52	1,695	1,685	62
Petty Cash Fund	40	-	-	40
Municipality Fines	25	300	325	-
Trust Fund Payable	20,981	79,695	83,410	17,266
Total Liabilities	\$ 34,632	\$ 195,957	\$ 205,711	\$ 24,878

The accompanying notes are an integral part of the schedule.

HOWARD COUNTY COURT
ST. PAUL, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
CUSTODIAL FUNDS

For the Calendar Year Ended December 31, 2020

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
ASSETS				
Cash and Deposits	\$ 23,461	\$ 169,949	\$ 158,778	\$ 34,632
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,531	\$ 24,156	\$ 19,684	\$ 6,003
Law Enforcement Fees	208	1,712	1,805	115
State Judges Retirement Fund	950	8,644	8,914	680
Court Administrative Fees	762	14,147	13,904	1,005
Legal Services Fees	780	6,966	7,226	520
Due to County Treasurer:				
Regular Fines	7,331	57,714	59,834	5,211
Overload Fines	-	1,275	1,275	-
Regular Fees	201	2,163	2,312	52
Petty Cash Fund	40	-	-	40
Municipality Fines	-	250	225	25
Trust Fund Payable	11,658	52,922	43,599	20,981
Total Liabilities	\$ 23,461	\$ 169,949	\$ 158,778	\$ 34,632

The accompanying notes are an integral part of the schedule.

HOWARD COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2020, and December 31, 2021

1. Criteria

A. Reporting Entity

The Howard 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 Custodial 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 Howard County.

B. Basis of Accounting

The accounting records of the County Court Custodial 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.