

**ATTESTATION REPORT
OF
KEARNEY COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2021

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KEARNEY 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

KEARNEY COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Kearney 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. ***Case Review and Documentation:*** The County Court did not adequately review the monthly financial reports and take timely action to resolve, or maintain proper support for non-monetary receipts.

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.

KEARNEY 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 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 one other Clerk Magistrate within the district that was not an employee 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 Administrative Office of the Courts and Probation (AOCP) accepts that there is a risk from one person having the authority to initiate and complete financial transactions. To reduce the risk of improper transactions, court financial specialists review court records and provide assistance to county courts if there are discrepancies. However, the Judicial Branch does not have the financial and human resources to mitigate all risks related to segregation of duties sufficient to meet current audit guidelines. As a result, in order to fulfill all statutory obligations, the AOCP has determined that all clerk magistrates will have the authority to operate all financial functions of the court.

2. Case Review and Documentation

During testing of the County Court's balances and receipts, we noted the following:

- Three overdue case balances, totaling \$211, were ordered waived in January 2013, June 2020, and July 2020, but still showed as being due.
- One non-monetary receipt for \$18 was issued in May of 2020; however, it was not applied in a timely manner, as the case was dismissed in January 2015, or five years earlier.
- One case balance of \$17 was received in July 2020 but was not reimbursed to the County until January 2021, or six months later.
- One case balance of \$135 for a bond was ordered forfeited in August 2021 but was not applied to costs and forfeiture until May 2022, or nine months later.
- One case had \$17 ordered due in October 2020; however, the County Court never assessed these fees. A subsequent order was issued in May 2022 waiving those fees after the auditor brought it to the County Court's attention.

KEARNEY COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. **Case Review and Documentation** (Concluded)

- For two non-monetary receipts, each waiving \$10 of offender assessment fees, the County Court did not have adequate documentation on hand to support the waiving of those fees.

Good internal control requires procedures to ensure both an adequate review the County Court's monthly financial reports and the taking of timely action to resolve, or maintain proper support for the non-monetary receipts.

Without such procedures, there is an increased risk of balances either not having proper follow-up action taken or having been previously resolved but not so designated.

We recommend the County Court establish procedures to ensure monthly reports are adequately reviewed, and follow-up of balances is performed timely and accurately. Those same procedures should ensure also that documentation is maintained for all waived fees.

County Court's Response: To ensure non-monetary receipts are handled correctly, I will work directly with my Financial Specialist, Vicki Kuhlman, and I will review all non-monetary receipts to ensure there is proper documentation on file for receipts. In reviewing the Case balances, I will make sure they are paid into the state in a more timely manner.



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KEARNEY COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Kearney County Court
Minden, Nebraska 68959

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Kearney 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

July 22, 2022

KEARNEY COUNTY COURT
MINDEN, 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	\$ 27,497	\$ 171,926	\$ 184,073	\$ 15,350
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,918	\$ 17,108	\$ 17,654	\$ 1,372
Law Enforcement Fees	121	1,605	1,581	145
State Judges Retirement Fund	795	10,128	9,923	1,000
Court Administrative Fees	1,024	10,921	10,840	1,105
Legal Services Fees	635	7,314	7,327	622
Due to County Treasurer:				
Regular Fines	1,925	34,955	33,622	3,258
Overload Fines	25	150	150	25
Regular Fees	764	3,163	3,652	275
Petty Cash Fund	80	-	-	80
Municipality Fines	-	560	560	-
Trust Fund Payable	20,210	86,022	98,764	7,468
Total Liabilities	\$ 27,497	\$ 171,926	\$ 184,073	\$ 15,350

The accompanying notes are an integral part of the schedule.

KEARNEY COUNTY COURT
MINDEN, 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	\$ 18,154	\$ 189,530	\$ 180,187	\$ 27,497
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,496	\$ 20,154	\$ 19,732	\$ 1,918
Law Enforcement Fees	133	1,250	1,262	121
State Judges Retirement Fund	726	8,181	8,112	795
Court Administrative Fees	897	9,889	9,762	1,024
Legal Services Fees	575	6,466	6,406	635
Due to County Treasurer:				
Regular Fines	2,458	21,580	22,113	1,925
Overload Fines	100	2,425	2,500	25
Regular Fees	137	6,938	6,311	764
Petty Cash Fund	80	-	-	80
Municipality Fines	200	500	700	-
Trust Fund Payable	11,352	112,147	103,289	20,210
Total Liabilities	\$ 18,154	\$ 189,530	\$ 180,187	\$ 27,497

The accompanying notes are an integral part of the schedule.

KEARNEY COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

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

1. Criteria

A. Reporting Entity

The Kearney 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 Kearney 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.