

**AUDIT REPORT  
OF  
DOUGLAS COUNTY COURT**

**JULY 1, 1998 THROUGH JUNE 30, 1999**

# DOUGLAS COUNTY COURT

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# DOUGLAS COUNTY COURT

## SUMMARY OF COMMENTS

During our audit of Douglas County Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

### Civil/Small Claims Division

1. Balancing Procedures
2. Savings Account Records
3. Underremitted Fees

### Criminal/Traffic Division

4. Overdue Balances
5. Court Costs

### Overall

6. Collateral Coverage of Deposits

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature since it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the Court.

Draft copies of this report were furnished to the Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The Court declined to respond.

We appreciate the cooperation and courtesy extended to our auditors during the course of the audit.

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### CIVIL/SMALL CLAIMS DIVISION

#### 1. Balancing Procedures

Sound accounting practice requires procedures be in place to ensure office records agree to bank activity on at least a monthly basis.

During our audit, we noted the Civil Division attempted to balance the bank balance to the office records on a monthly basis. The checking account balance, according to bank records, was \$440 short when compared to the office records as of June 30, 1999. Without correct balancing procedures variances in office records compared to bank activity can not be identified and reconciled correctly. This can result in the possibility of loss or misuse of funds.

We strongly recommend the Civil Division more accurately reconcile the bank activity to the office records in order to identify and correct all variances.

#### 2. Savings Account Records

Sound accounting procedures and good internal control require accounting records be maintained which correctly identify all assets of the Court.

During our audit, we noted the Civil Division did not maintain adequate records of deposits held in savings accounts. Without such records there is no assurance all savings accounts were identified. We noted three savings accounts totaling \$765,165 which were not included on the court's listing of savings account balances as of June 30, 1999. The Civil Division has been involved in an increased number of condemnation cases, and without adequate records there is no way to determine if all deposits into savings accounts are identified. Inadequate records increase the possibility of loss or misuse of funds.

We strongly recommend the Civil Division maintain adequate records to identify all savings accounts held by the Court and the dollar amount and activity of each account.

#### 3. Underremitted Fees

Sound accounting procedures require all fees collected to be remitted in a timely manner.

During our audit, we noted the Civil Division did not remit all of the fees the Court collected in January 1999. The portion of fees collected but not remitted include State Fees of \$1,245,

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### CIVIL DIVISION

#### 3. Underremitted Fees (Concluded)

County Fees of \$6, and Judges Retirement of \$70. The unremitted fees totaled \$1,321. Without adequate balancing procedures in place to identify unremitted fees a possible loss or misuse of funds could occur.

We recommend the Civil Division improve procedures in accounting for fees to insure remittances are made in a more timely manner.

### CRIMINAL/TRAFFIC DIVISION

#### 4. Overdue Balances

Good internal control requires overdue balances of the Court be reviewed to determine whether the amounts owed are proper and whether any action should be taken to collect those accounts.

During our audit, we noted the following:

- The listing of overdue balances owed to the Court is not reviewed by management. The listing of overdue balances as of June 30, 1999 was \$2,767,566. A large number of cases shown as overdue may indicate problems with the initial receipting of money or loss of funds. Amounts listed as outstanding could have been paid and then lost or stolen. Without adequate follow-up this cannot be determined.
- We noted 8 of the 20 cases tested with overdue balances did not note within the court's computerized (JUSTICE system) records that a warrant or suspension had been issued on the individual owing the balance.

We recommend the Court review the listing of overdue balances and issue warrants or suspensions on individuals owing money to the Court.

#### 5. Court Costs

State Statute Section 29-2709, R.R.S. 1995 states, "In all cases brought by or with the consent of the county attorney, all such uncollectible costs not waived shall be certified by the clerk of the court to the county clerk who shall present the bills therefor to the county board. The county

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### CRIMINAL/TRAFFIC DIVISION

#### 5. Court Costs (Concluded)

board shall pay from the county general fund all such bills found by the board to be lawful. In all cases brought under city or village ordinance, all such uncollectible costs not waived shall be certified to the appropriate city or village officer authorized to receive claims who shall present the bills therefor to the governing body of the city or village in the same manner as other claims.” State Statute Section 24-703, (3) R.R.S. 1995 states, “No Nebraska Retirement Fund for Judges fee which is uncollectible for any reason shall be waived by a county judge as provided in section 29-2709.”

During our audit, we noted the Court billed prosecutors on March 17, 1999 for \$210,292 of the uncollected court costs, but have only received \$615. As of June 30, 1999, the Court has \$343,338 of uncollected court costs designated within the system as due from prosecutors.

We recommend the court continue billing prosecutors for court costs, and review cases where court costs have not been collected but the case is closed. We also recommend the court inform the Public Employees Retirement Systems of the amounts outstanding so they may determine any effects on the Judges Retirement plan.

### OVERALL

#### 6. Collateral Coverage of Deposits

State Statute Section 77-2326.04, R.R.S. 1996 states, “No deposits in excess of the amount insured by the Federal Deposit Insurance Corporation shall be made to accumulate in any bank or capital stock financial institution designated as a depository unless and until the county judge, clerk of the county court, or clerk of the district court, as the case may be, has received from such depository as security for the prompt repayment by the depository of his or her respective deposits in excess of the amount insured by the Federal Deposit Insurance Corporation either a surety bond in form and with corporate sureties approved by the county judge or judges or by formal resolution of the county board, as the case may be, or in lieu thereof, the giving of security as provided in the Public Funds Deposit Security Act.

During our audit, we noted the deposits at Norwest Bank were not adequately covered by the combined Federal Deposit Insurance Corporation coverage and a surety bond. Deposits exceeded coverage by \$1,594,935.

We recommend the County Court review deposit amounts to ensure coverage is sufficient to cover all deposits.

STATE OF NEBRASKA  
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DOUGLAS COUNTY COURT

**INDEPENDENT AUDITORS' REPORT**

We have audited the financial statement of Douglas County Court as of and for the fiscal year ended June 30, 1999, as listed in the Table of Contents. The financial statement is the responsibility of the Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

Except as noted in the fourth and fifth paragraphs, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statement presents only the Court's Agency Funds activity and is not intended to present fairly the financial position and results of operations of Douglas County Court in conformity with generally accepted accounting principles.

We were unable to verify all agency fund receipts, disbursements and balances were recorded in the Civil Division. The Division's records did not permit the application of auditing procedures to the agency activity.

We were unable to obtain a management representation letter from the Presiding Judge of Douglas County Court. The Presiding Judge declined to make the representation as required by generally accepted auditing standards.

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine all agency activity for the Civil Division was recorded, and obtain the management representation letter from the Presiding Judge, the financial statement referred to above presents fairly, in all material respects, the financial position of the Agency Funds of Douglas County Court as of June 30, 1999, and the related activity for the fiscal year then ended in conformity with generally accepted accounting principles.

The Year 2000 Issues supplementary information is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Douglas County Court is or will become year 2000 compliant, the Douglas County Court's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Douglas County Court does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated August 11, 1999, on our consideration of Douglas County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

The accompanying schedules are presented for purposes of additional analysis and are not a required part of the basic financial statement of Douglas County Court. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to determine all agency activity for the Civil Division was recorded, and obtain the management representation letter from the Presiding Judge, such information is fairly presented in all material respects in relation to the financial statement taken as a whole.



Deputy State Auditor

August 11, 1999

DOUGLAS COUNTY COURT  
 OMAHA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
 For the Fiscal Year Ended June 30, 1999

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>ASSETS</b>				
Cash and Deposits	\$ 4,413,076	\$ 21,091,210	\$ 18,908,319	\$ 6,595,967
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 77,132	\$ 1,632,217	\$ 1,627,558	\$ 81,791
Law Enforcement Fees	2,668	97,224	96,756	3,136
Interest	12,224	136,678	133,749	15,153
State Judges Retirement Fund	3,263	85,591	85,518	3,336
Automation Fees	924	9,746	9,931	739
Legal Services Fee	1,822	91,936	91,166	2,592
Bond Retainage Fee	35,218	422,513	418,003	39,728
Due to County Treasurer:				
Regular Fines	45,507	1,867,694	1,857,803	55,398
Overload Fines	4,325	175,225	177,450	2,100
Regular Fees	1,170	20,314	19,980	1,504
Bond Forfeiture Fees	837	337,935	334,931	3,841
Due to Municipalities:				
Regular Fees	8,548	88,138	88,338	8,348
Regular Fines	33,303	1,774,021	1,758,365	48,959
Trust Fund Benefits, Payable				
	4,186,135	14,351,978	12,208,771	6,329,342
<b>Total Liabilities</b>	<b>\$ 4,413,076</b>	<b>\$ 21,091,210</b>	<b>\$ 18,908,319</b>	<b>\$ 6,595,967</b>

**DOUGLAS COUNTY COURT  
NOTES TO FINANCIAL STATEMENT**

June 30, 1998

**1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Douglas 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 Statement of Changes in Assets and Liabilities of the County Court reflects only the Agency Funds activity of the Court; the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The financial statement does not reflect the personal service expenses of the Court which are paid by the Nebraska Supreme Court or the operating expenses, which are paid by Douglas County.

**B. Basis of Accounting**

The accounting records of the County Court Agency Funds are maintained and the Statement of Changes in Assets and Liabilities has been prepared on the modified accrual basis of accounting. Under this basis of accounting, fines, fees and receipts relating to trust funds are shown as additions to assets and an increase in the related liability when received because they are generally not measurable until actually received. Likewise, disbursements are shown as deductions to assets and 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 State Statute Section 25-2713, R.R.S. 1995. Funds are generally consolidated in an interest-bearing checking account; however, the 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 State Statute Section 77-2326.04, R.R.S. 1996, to be secured either by a surety bond or pledged collateral securities.

The carrying amounts and bank balances of total deposits consisting of checking accounts, savings accounts, and money market accounts, were as follows:

	Total Cash and Deposit Carrying Amount	Cash Amount	Deposit Carrying Amount	Bank Balance
June 30, 1999	\$ 6,595,967	\$ 3,535	\$ 6,592,432	\$ 7,194,935

**DOUGLAS COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
(Continued)

**2.     Deposits and Investments (Concluded)**

However, Funds were not entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank or a bank or trust company in this State other than the depository bank during the entire year.

DOUGLAS COUNTY COURT - PROBATE  
 OMAHA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
 For the Fiscal Year Ended June 30, 1999

Schedule 1

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>ASSETS</b>				
Cash and Deposits	\$ 534,573	\$ 652,318	\$ 693,928	\$ 492,963
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ -	\$ 127,945	\$ 127,945	\$ -
Interest	-	21,353	21,353	-
State Judges Retirement Fund	-	13,579	13,579	-
Legal Service Fees	-	4,618	4,618	-
Trust Fund Benefits, Payable	534,573	484,823	526,433	492,963
Total Liabilities	\$ 534,573	\$ 678,289	\$ 719,899	\$ 492,963

See Notes to Financial Statement.

DOUGLAS COUNTY COURT - CIVIL/SMALL CLAIMS  
 OMAHA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 1999

Schedule 2

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>ASSETS</b>				
Cash and Deposits	\$ 2,096,869	\$ 10,976,065	\$ 8,882,311	\$ 4,190,623
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 40,173	\$ 484,159	\$ 478,333	\$ 45,999
Interest	-	20,413	20,413	-
State Judges Retirement Fund	1,905	22,926	22,880	1,951
Due to County Treasurer,				
Regular Fees	488	6,105	6,150	443
Trust Fund Benefits, Payable	2,054,303	10,442,462	8,354,535	4,142,230
<b>Total Liabilities</b>	<b>\$ 2,096,869</b>	<b>\$ 10,976,065</b>	<b>\$ 8,882,311</b>	<b>\$ 4,190,623</b>

See Notes to Financial Statement.

DOUGLAS COUNTY COURT - CRIMINAL/TRAFFIC  
 OMAHA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
 For the Fiscal Year Ended June 30, 1999

Schedule 3

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<b>ASSETS</b>				
Cash and Deposits	\$ 1,781,634	\$ 9,462,827	\$ 9,332,080	\$ 1,912,381
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 36,959	\$ 1,020,113	\$ 1,021,280	\$ 35,792
Law Enforcement Fees	2,668	97,224	96,756	3,136
Interest	12,224	94,912	91,983	15,153
State Judges Retirement Fund	1,358	49,086	49,059	1,385
Automation Fees	924	9,746	9,931	739
Legal Service Fees	1,822	87,318	86,548	2,592
Bond Retainage Fee	35,218	422,513	418,003	39,728
Due to County Treasurer:				
Regular Fines	45,507	1,867,694	1,857,803	55,398
Overload Fines	4,325	175,225	177,450	2,100
Regular Fees	682	14,209	13,830	1,061
Bond Forfeiture Fees	837	337,935	334,931	3,841
Due to Municipalities:				
Regular Fees	8,548	88,138	88,338	8,348
Regular Fines	33,303	1,774,021	1,758,365	48,959
Trust Fund Benefits, Payable	1,597,259	3,424,693	3,327,803	1,694,149
<b>Total Liabilities</b>	<b>\$ 1,781,634</b>	<b>\$ 9,462,827</b>	<b>\$ 9,332,080</b>	<b>\$ 1,912,381</b>

See Notes to Financial Statement.

**DOUGLAS COUNTY COURT**  
**REQUIRED SUPPLEMENTARY INFORMATION**

June 30, 1999

**Year 2000 Issues.** Many computer based financial, information and operational systems may not be able to properly interpret and apply dates before and following December 31, 1999 (commonly referred to as the Year 2000 problem or the Y2K problem). If not corrected, malfunction of these systems could adversely impact information processing and system operations.

Douglas County Court has two computer systems, which are critical to its operations, the JUSTICE system, and the Civil Division system. As of June 30, 1999 the Court has not committed any funds to the assurance the systems will function correctly on January 1, 2000. The Court is in the Validation/Testing Stage of dealing with the Y2K problem for the JUSTICE system, meaning they believe the systems and equipment have been updated, and are in the process of testing the system. It is anticipated the system used in the Civil Division will be abandoned prior to December 31, 1999 and the Division will operate using the JUSTICE system.

It is important to note the completion of these stages is NOT a guarantee that system and equipment will be Year 2000 compliant.

STATE OF NEBRASKA  
Auditor of Public Accounts



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**DOUGLAS COUNTY COURT**  
**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL**  
**REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED**  
**IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statement of Douglas County Court as of and for the year ended June 30, 1999, and have issued our report thereon dated August 11, 1999 which was qualified because we were unable to verify all agency activity for the Civil Division and obtain the management representation letter from the Presiding Judge. In addition, the report was modified to emphasize that the financial statement presents only the Agency Funds of Douglas County Court and an explanatory paragraph was added disclaiming an opinion on Required Supplementary Information – Year 2000 Issues. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Douglas County Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. We noted certain immaterial instances of noncompliance that we have reported to management of Douglas County Court in the Comments Section of this report as Comment Number 5 (Court Costs) and Comment Number 6 (Collateral Coverage of Deposits).

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Douglas County Court's internal control over financial reporting in order to determine our auditing procedures for the purpose of

expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Douglas County Court's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Balancing Procedures) and Comment Number 2 (Savings Account Records).

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider comment numbers 1 and 2 to be material weaknesses. We also noted other matters involving internal control over financial reporting that we have reported to management of the Douglas County Court in the Comments Section of the report as Comment Number 3 (Underremitted Fees) and Comment Number 4 (Overdue Balances).

This report is intended solely for the information and use of the court, the appropriate Federal and regulatory agencies and citizens of the State of Nebraska and is not intended to be and should not be used by anyone other than these specified parties.



Deputy State Auditor

August 11, 1999