

**AUDIT REPORT
OF
DOUGLAS COUNTY COURT**

JULY 1, 1999 THROUGH JUNE 30, 2000

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our audit of the 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. Accounting Records Unavailable
2. Balancing Procedures
3. Investment Records

Criminal/Traffic Division

4. Overdue Balances

Probate Division

5. Balancing Procedures

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. Accounting Records Unavailable

Sound accounting procedures require records be maintained to support the financial activity of the court.

We were unable to trace manual receipts, checks issued, and trust activity to the Civil Division's computer system to ensure accuracy of the transactions. Prior to October 1999, the Civil Division used a computer system called CJIS; since that time the Division has utilized the JUSTICE computer system. The CJIS system was no longer in operation during audit fieldwork, resulting in the inability to verify the accuracy of transactions.

We recommend accounting records be maintained to support all financial activity.

2. Balancing Procedures

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

We noted the Civil Division's checking account balance, according to bank records, was \$427 short when compared to the office records as of June 30, 2000. We also noted the trust balance at June 30, 2000 did not agree to the detail listing of case file balances by \$116. We also noted the Civil Division over-remitted State Fees for the month of October 1999 by \$867. Without correct balancing procedures, variances cannot be identified and reconciled correctly, resulting in the possibility of loss or misuse of funds.

We recommend the Civil Division identify and correct all variances.

3. Investment Records

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

We noted the Civil Division did not maintain adequate records for deposits held in savings accounts. Without such records there is no assurance all savings accounts were identified. During fiscal year 2000, the Civil Division transferred a portion of the cases involving savings accounts to the JUSTICE system. Records were not available to identify those cases involving savings accounts still being maintained in the manual records at June 30, 2000. Inadequate records increase the possibility of loss or misuse of funds.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

CIVIL/SMALL CLAIMS DIVISION

3. **Investment Records** (Concluded)

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

CRIMINAL/TRAFFIC DIVISION

4. **Overdue Balances**

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

We noted the following:

- The Criminal Division did not conduct a periodic review of cases with overdue balances. The listing of overdue balances as of June 30, 2000 was \$3,436,797. Without a periodic review of the overdue cases, there is an increased risk that a case listed as outstanding did not have the proper action taken, or that the amount outstanding could have been paid and then was lost or stolen.
- We noted that one out of twenty criminal/traffic cases tested with overdue balances did not note within the court's computerized (JUSTICE systems) records that a warrant or suspension had been issued on the individual owing the balance.

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

PROBATE DIVISION

5. **Balancing Procedures**

Sound accounting practice requires procedures be in place to ensure office records reconcile and agree to bank activity on at least a monthly basis and fees are correctly remitted.

We noted the bank account balance was not being reconciled to the listing of trust balances on a monthly basis. This resulted in a shortage at June 30, 2000 of \$448.

We recommend bank balances be reconciled to the listing of trust balances on at least a monthly basis.

STATE OF NEBRASKA
Auditor of Public Accounts



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

Mr. Joseph C. Steele
State Court Administrator
Room 1220 - State Capitol Building
Lincoln, Nebraska 68509

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, 2000, 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 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 obtained 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, 2000 and the related activity for the fiscal year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 21, 2001, 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. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

May 21, 2001

A handwritten signature in cursive script that reads "Deann Hayfman CPA". The signature is written in dark ink and is positioned above the printed name of the Deputy State Auditor.

Deputy State Auditor

DOUGLAS COUNTY COURT
 OMAHA, NEBRASKA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

For the Fiscal Year Ended June 30, 2000

	Balance July 1, 1999	Additions	Deductions	Balance June 30, 2000
ASSETS				
Cash and Deposits	\$ 6,595,967	\$ 17,231,731	\$ 18,072,006	\$ 5,755,692
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 81,791	\$ 1,843,370	\$ 1,906,162	\$ 18,999
Law Enforcement Fees	3,136	122,919	124,710	1,345
Interest	15,153	125,283	137,357	3,079
State Judges Retirement Fund	3,336	100,626	103,017	945
Automation Fees	739	14,296	14,987	48
Legal Services Fees	2,592	115,883	117,139	1,336
Bond Retainage Fee	39,728	457,440	476,138	21,030
Due to County Treasurer:				
Regular Fines	55,398	2,122,867	2,146,886	31,379
Overload Fines	2,100	138,617	138,967	1,750
Regular Fees	1,504	38,099	38,320	1,283
Bond Forfeiture Fees	3,841	265,874	268,568	1,147
Due to Municipalities:				
Regular Fines	48,959	2,023,938	2,047,209	25,688
Regular Fees	8,348	99,353	99,864	7,837
Trust Fund Benefits, Payable	6,329,342	9,763,166	10,452,682	5,639,826
Total Liabilities	\$ 6,595,967	\$ 17,231,731	\$ 18,072,006	\$ 5,755,692

See Notes to Financial Statement.

**DOUGLAS COUNTY COURT
NOTES TO FINANCIAL STATEMENT**

June 30, 2000

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 services 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 as 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 Neb. Rev. Stat. 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 Neb. Rev. Stat. Section 77-2326.04 R.R.S., 1996, to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

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		Deposit	
	<u>Carrying Amount</u>	<u>Cash Amount</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2000	\$ 5,755,692	\$ 3,535	\$ 5,752,157	\$ 6,177,197

However, Funds were entirely covered by federal depository insurance or by collateral securities pledged to the Court and held by a Federal Reserve Bank, or by a Bank or trust company in this State other than the depository bank, during the entire year.

STATE OF NEBRASKA
Auditor of Public Accounts



P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

Kate Witek
State Auditor
kwitek@mail.state.ne.us

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, 2000, and have issued our report thereon dated May 21, 2001. Our opinion on the financial statement of Douglas County Court was qualified because we were unable to verify all agency activity for the Civil Division and obtain a management representation letter from the Presiding Judge of Douglas County Court. The report was also modified to emphasize that the financial statement presents only the Agency Funds of Douglas County Court. 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 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 (Accounting Records Unavailable), Comment Number 2 (Balancing Procedures), and Comment Number 3 (Investment 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, 2, and 3 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 4 (Overdue Balances) and Comment Number 5 (Balancing Procedures).

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.

May 21, 2001

A handwritten signature in cursive script that reads "Deann Hayfman CPA".

Deputy State Auditor