

**AUDIT REPORT  
OF  
DOUGLAS COUNTY COURT**

**JULY 1, 2006 THROUGH JUNE 30, 2007**

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**Issued on March 31, 2008**

# 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:

1. ***Trust Balances:*** Numerous deficiencies were noted in the County Court's handling and/or resolution of trust balances held by the County Court as of June 30, 2007.
2. ***Overdue Balances:*** Of 30 overdue balances tested, 16 did not have action taken to collect and/or otherwise resolve amounts due the County Court.

More detailed information on the above items is provided hereafter. 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 them 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 will be verified in the next audit.

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

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

### 1. Trust Balances

Neb. Rev. Stat. Section 29-901 R.S.Supp., 2006 regarding bail, requires bond deposits, less any applicable bond costs, be returned to defendants upon performance of appearance(s) and fulfillment of bond conditions and that when jurisdiction is transferred from a court requiring an appearance bond to another State court, the transferring court shall transfer the deposit remaining after the bond costs have been retained. Neb. Rev. Stat. Section 29-1108 R.S. Supp., 2006 requires cash deposits, upon forfeiture, be paid into the county treasury upon the entry of order of forfeiture of the bond. The Financial Administrative Procedures Manual issued by the Office of the State Court Administrator, states small claims appeal bonds are required to be transmitted to the Clerk of the District Court along with the appeal transcript. Sound accounting practices and good internal control require adequate procedures be in place to ensure timely investment of monies as directed by the County Court Judge. Lastly, sound accounting practices and good internal control also require adequate procedures be in place to ensure complete, accurate, and timely application of all payments received.

During testing of June 30, 2007, trust balances held by the County Court, the following was noted:

- 22 instances, totaling \$4,840, in which defendant appearance bonds and criminal/traffic appeal bonds had not been paid out and/or returned upon performance of all appearances or order of the County Court. County Court personnel indicated responsibility for initiating return of bonds is largely left up to defendants.
- One instance in which the defendant was bound over to District Court in February 2004; however, as of February 25, 2008, defendant's \$900 appearance bond remained with the County Court.
- One instance in which the \$338 balance of a defendant's May 2005 appearance bond had been forfeited by a County Court Judge; however, as of February 25, 2008, the bond proceeds had not been remitted as a bond forfeiture to Douglas County.
- 239 Small Claims case balances, totaling \$11,950, all of which consisted of \$50 appeal fees from cases dating as far back as 1999 which had not been transmitted to the Clerk of the District Court at the time of appeal transmittal.
- One instance in which \$24,846 received by the County Court in May 2004 in a conservatorship-minor case was, by Court order, to be held in an interest bearing account for the statutory purposes for which the conservatorship was established. As of February 25, 2008, these funds had not been separately invested, with interest earned for the benefit of the conservatorship, but instead remained in the County Court's main bank account. As a result, no interest has accrued to the original \$24,846 case balance.

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 1. Trust Balances (Concluded)

- One instance in which a Judge's order required remaining proceeds of \$48,753, in a Special Administration case remain in an interest bearing account with the Clerk of the County Court in the name of the estate until further order of the County Court. As of February 25, 2008, these funds had not been separately invested, with interest earned for the benefit of the estate, but instead remained in the County Court's main bank account. As a result, no interest had accrued to the original \$48,753 case balance.
- One instance in which a defendant's traffic citation was dismissed at defendant's cost; defendant paid the full \$44 in court costs in November 2005; however, as of February 25, 2008, payment had not yet been applied to costs in the JUSTICE system.
- One instance in which a defendant paid, in full, \$94 traffic citation in August 2006; however, as of February 25, 2008, payment had not yet been applied to fines/costs in the JUSTICE system.
- One instance in which case account activity recorded two \$66 payments in full from the defendant on one case; one of which had been applied to fines/costs and the other, an October 2004 payment, which as of February 25, 2008, remained in a JUSTICE Non-Citation (NOCI) account. Two in full payments recorded on one case suggests incorrect application of payment.
- One instance in which a \$119 non-case balance represented a defendant's June 2007 payment in full; however, as of February 25, 2008, the payment had not been applied to fines/costs.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, or misuse of monies held by the County Court.

We strongly recommend the County Court implement procedures to ensure trust balances are timely reviewed for completeness and accuracy.

*County Court's Response: Management concurs and is implementing a monthly check and balance to review trust balances with the appropriate Division Managers.*

# DOUGLAS COUNTY COURT

## COMMENTS AND RECOMMENDATIONS

(Continued)

### 2. Overdue Balances

Good internal control and sound business practices require overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

Of 30 overdue balances tested, 16, totaling \$2,120, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. As of November 25, 2006, overdue balances, excluding restitution, totaled \$3,900,559. As of February 23, 2008, overdue balances, excluding restitution, totaled \$3,536,504; a decrease of \$364,055, or 9.3% in 15 months.

Without a regular review of overdue case balances, there is an increased risk overdue balances may either not have proper follow up action taken or the balances may have been previously resolved and should no longer be reflected as being overdue.

We recommend the County Court continue to work on collecting and/or otherwise resolving, all overdue balances.

*County Court's Response: Management is pleased with the progress being made in collecting and resolving the overdue balances. The decrease in the past fifteen months of \$364,055 (a decline of 9.3%) is encouraging and we will continue to work to resolve this account.*



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State Auditor

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### DOUGLAS COUNTY COURT INDEPENDENT AUDITORS' REPORT

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

We have audited the accompanying financial statement of Douglas County Court as of and for the fiscal year ended June 30, 2007, as listed in the Table of Contents. The financial statement is the responsibility of the County Court's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Also, as discussed in Note 1, the financial statement presents only the County Court's Agency Funds activity and does not purport to, and does not, present fairly the assets, liabilities, and results of operations of Douglas County Court for the year then ended in conformity with the cash receipts and disbursements basis of accounting.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Douglas County Court as of June 30, 2007, and the related activity for the fiscal year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2008, 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, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

March 25, 2008

  
Assistant Deputy Auditor

DOUGLAS COUNTY COURT  
 OMAHA, NEBRASKA  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ARISING FROM CASH TRANSACTIONS**  
**AGENCY FUNDS**

For the Fiscal Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<b>ASSETS</b>				
Cash and Deposits	\$ 3,623,065	\$ 17,425,900	\$ 17,629,183	\$ 3,419,782
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 79,153	\$ 2,290,974	\$ 2,305,176	\$ 64,951
Law Enforcement Fees	3,048	190,227	191,485	1,790
State Judges Retirement Fund	9,799	673,617	676,562	6,854
Court Administrative Fees	18,287	1,229,593	1,235,611	12,269
Legal Services Fees	11,454	712,980	715,848	8,586
Due to County Treasurer:				
Regular Fines	54,270	3,480,129	3,483,551	50,848
Overload Fines	531	104,840	104,446	925
Regular Fees	3,892	315,228	315,385	3,735
Due to Municipalities:				
Regular Fines	23,998	1,653,732	1,657,947	19,783
Regular Fees	8,077	141,506	139,786	9,797
Trust Fund Payable	3,410,556	6,633,074	6,803,386	3,240,244
<b>Total Liabilities</b>	<b>\$ 3,623,065</b>	<b>\$ 17,425,900</b>	<b>\$ 17,629,183</b>	<b>\$ 3,419,782</b>

The accompanying notes are an integral part of the financial statement.

**DOUGLAS COUNTY COURT**  
**NOTES TO FINANCIAL STATEMENT**  
For the Fiscal Year Ended June 30, 2007

**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 Arising from Cash Transactions of the County Court reflects only the Agency Funds activity of the County 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 County 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 Arising from Cash Transactions has been prepared, on the cash receipts and disbursements 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. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written. This differs from Generally Accepted Accounting Principles (GAAP) which requires the accrual basis of accounting. Under GAAP, Agency Funds would be reported in the Statement of Net Assets. Agency Funds are not reported in the Statement of Changes of Fiduciary Net Assets. Agency Funds are used to report resources held by the reporting government in a purely custodial capacity. Agency Funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

**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 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. Section 77-2326.04 R.R.S. 2003 to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.

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

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

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

	Total Cash and Deposit <u>Carrying Amount</u>	<u>Cash Amount</u>	Deposit <u>Carrying Amount</u>	<u>Bank Balance</u>
June 30, 2007	\$ 3,419,782	\$ 3,535	\$ 3,416,247	\$ 3,870,679

These funds were entirely covered by federal depository insurance or by collateral securities pledged to the County Court and held by a Federal Reserve Bank, or by a Bank or trust company in this State other than the depository bank.



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

Ms. Janice Walker, State Court Administrator  
Nebraska Supreme Court  
State Capitol, Room 1220  
Lincoln, Nebraska 68509

We have audited the financial statement of Douglas County Court as of and for the year ended June 30, 2007, and have issued our report thereon dated March 25, 2008. The report was modified to emphasize that the financial statement presents only the Agency Funds of Douglas County Court prepared on the basis of cash receipts and disbursements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Douglas County Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the County Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the Comments Section of the report to be a significant deficiency in internal control over financial reporting: Comment Number 1 (Trust Balances).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County Court's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

#### Compliance and Other Matters

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 or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain additional matters that we reported to the management of Douglas County Court in the Comments Section of this report as Comment Number 2 (Overdue Balances).

The County Court's written response to the findings identified in our audit are described in the Comments Section of the report. We did not audit the County Court's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Supreme Court, others within the Court, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record and its distribution is not limited.

March 25, 2008

  
Assistant Deputy Auditor