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Otoe County District Court Missing \$29,000 Due to Alleged Embezzlement

State Auditor Mike Foley Finds Accounting Deficiencies at the District Court of Otoe County that Leads to Discovery of Financial Impropriety

(LINCOLN, NE) State Auditor Mike Foley announced today the results of audit work at the District Court for Otoe County. The findings of that work included the discovery of a \$28,823.84 shortage in the District Court's bank account. The shortage was the result of cash receipts not being deposited at the bank during the period February 2007 through January 2009. The responsibility for making the deposits was that of District Court ex-employee Teresa White.

Ms. White, a longtime County employee served as Deputy Clerk of the District Court during the period reviewed by the auditors. Her employment was terminated on January 22, 2009, when suspicions about her conduct were raised. White relocated to Oklahoma after being fired from her position with Otoe County.

During her period of employment with the District Court, her financial activities were audited by a private certified public accountant hired by the Otoe County Board. But that audit work found no wrongdoing. It was not until the audit work performed by Foley's office was conducted that the true nature of the funds shortage, as well as the accounting deficiencies that made it possible, were revealed.

Foley's auditors discovered the existence of bogus bank reconciliation reports prepared by White that apparently showed the District Court's bank account to be in perfect balance, when in fact, it was not.

"The outcome of this audit work is just one of countless examples of the amazing quality and skill of my staff," Foley stated. "I don't exaggerate one bit when I say that they are second to none. They routinely find accounting deficiencies and financial improprieties that elude even the most experienced auditors."

Among the Clerk of the District Court's accounting deficiencies, the report noted, were the failure: 1) to segregate financial and accounting duties among the Court's employees; 2) to ensure the immediate endorsement of checks received by the Court; 3) to make bank deposits of all receipts on a regular basis; 4) to perform and retain monthly bank reconciliations; and 5) ensure that all receipts were applied to the proper accounts and remitted to the correct payees.

These deficiencies, the report concluded, not only allowed the alleged embezzlement to occur but also allowed it to go largely undetected.

Discussing the wider implications of both the poor accounting practices and the resulting loss of funds, Foley observed, “The District Court of Otoe County is but one small office among hundreds across this state that are responsible for handling taxpayer funds. This type of activity should serve as a constant reminder of the necessity for transparency and accountability in state and local governments, not to mention the oversight required to make it happen.”

Foley’s auditors coordinated their work with the State Patrol, the Otoe County Attorney, and the Office of the Attorney General.

A complete copy of the report can be found under “What’s New” on the State Auditor’s web site: <http://www.auditors.state.ne.us>