

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JULY 1, 2011 THROUGH JUNE 30, 2012

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Issued on May 13, 2013

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Douglas County Court, we noted certain deficiencies in internal control 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 following areas:

1. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
2. ***Trust Balances:*** Deficiencies continue to be noted in the County Court's handling and/or resolution of trust balances held at fiscal year end.
3. ***Timely Recording of Interest Earnings and Bank Charges:*** The County Court did not record interest earnings and/or bank charges in a timely manner.

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 examination.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. 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.

During testing of 30 overdue balances, 23, totaling \$7,799, 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, orders to show cause, or declaration of certain overdue balances as uncollectible. As of April 21, 2012, overdue balances, excluding restitution judgments, totaled \$3,330,966. As of April 6, 2013, overdue balances, excluding restitution judgments, had increased by \$91,152; or 2.7%, to \$3,422,118.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have the proper follow-up action taken or the balances may have been previously resolved and should no longer be reflected as being overdue. This issue was also noted in the seven prior audits.

We recommend the County Court implement ongoing, timely review and follow up procedures of its overdue case balances to ensure timely collection and/or resolution of overdue balances.

County Court's Response: Management staff is going to meet monthly to review the overdue balances. In particular we will determine which overdue balances can be declared as uncollectible and work with our active presiding judge to have them declared uncollectible.

Management is pleased that with an increase of \$1.1 million in cash transactions all the financials were accounted to the penny.

2. Trust Balances

During testing of the June 30, 2012, trust balances held by the County Court, the following was noted:

- Two instances, totaling \$310, in which traffic citation payments received were not applied to defendants' fines/costs in a timely manner.
- One \$119 traffic citation payment received by the County Court was not refunded to the defendant subsequent to case dismissal in October 2008.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court. This issue has also been reported in the prior four audits.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Trust Balances** (Concluded)

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

County Court's Response: Management staff is going to meet monthly to review all balances associated with the trust balance reports generated through JUSTICE.

3. **Timely Recording of Interest Earnings and Bank Charges**

On June 30, 2011, the County Court opened an interest bearing bank account for deposit of excess non-invested trust funds. Interest and bank charge activity on this account were posted by the financial institution on a monthly basis. We noted during the fiscal year ended June 30, 2012, this bank account had posted interest of \$1,772, offset by \$120 in bank charges resulting in net earned interest of \$1,652. As of April 17, 2013, the County Court had not receipted any of this financial activity into the JUSTICE system; the computerized accounting and case management system of the Nebraska Court System.

A good internal control plan requires timely receipt of all monies received by the County Court to ensure complete and accurate accounting records.

When interest earnings are not recorded in a timely manner, accounting records do not reflect the true balances controlled by the County Court.

We recommend the County Court implement procedures to ensure all interest and/or bank charges earned and/or incurred by the County Court be receipted in a timely manner.

County Court's Response: Effective immediately the accounting staff will be receipting the interest earnings and bank charges into JUSTICE on a monthly basis.



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DOUGLAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Douglas County Court as of and for the fiscal year ended June 30, 2012. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Douglas County Court as of June 30, 2012, and the related activity for the fiscal year then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We performed our examination to express an opinion on whether the Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule 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 the finding, along with the views of management, is described in the Comments Section of the report.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

SIGNED ORIGINAL ON FILE

April 17, 2013

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u>			<u>Balance</u>
	<u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 2,363,813	\$ 19,175,046	\$ 19,265,676	\$ 2,273,183
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 90,661	\$ 2,416,509	\$ 2,448,265	\$ 58,905
Law Enforcement Fees	8,609	254,101	258,841	3,869
State Judges Retirement Fund	32,399	878,646	897,362	13,683
Court Administrative Fees	51,904	1,475,277	1,506,239	20,942
Legal Services Fees	28,609	868,774	884,272	13,111
Due to County Treasurer:				
Regular Fines	123,986	4,298,581	4,356,546	66,021
Overload Fines	350	58,327	55,052	3,625
Regular Fees	2,289	119,930	119,561	2,658
Due to Municipalities:				
Regular Fines	50,829	1,764,760	1,794,395	21,194
Regular Fees	10,288	139,679	140,287	9,680
Trust Fund Payable	<u>1,963,889</u>	<u>6,900,462</u>	<u>6,804,856</u>	<u>2,059,495</u>
Total Liabilities	<u>\$ 2,363,813</u>	<u>\$ 19,175,046</u>	<u>\$ 19,265,676</u>	<u>\$ 2,273,183</u>

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2012

1. Criteria

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 Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court including the receipts and their subsequent disbursement to the appropriate entities for which they were collected. The Schedule 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 Schedule 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. 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 2008). 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.