

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT
JULY 1, 2014 THROUGH JUNE 30, 2015**

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Issued on May 24, 2016

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Douglas County Court, we noted certain deficiencies 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. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***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.
3. ***Non-Waiverable Court Costs:*** The County Court waived court costs that, according to State statute, are non-waiverable.

More detailed information on the above items is provided hereinafter. 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 management with 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 they will be verified in the next examination.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the office of the County Court lacked a segregation of duties. Specifically, one person was capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities. Personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We consider this to be a material weakness.

A lack of segregation of duties is indicated by the following errors:

- Access to signature stamps is not limited to the individual whose name is on the stamp.
- During testing, we noted that the County Court failed to take timely action to pay out 16 of 55 case balances, totaling \$21,702. Also, for 2 of 15 non-case receipts, totaling \$1,250, there was no attempt to refund the money when no case was filed.
- Supporting documentation was not on file for two traffic citation receipts, totaling \$131, and two non-monetary receipts, totaling \$149, tested.
- Three emergency receipt books could not be located, and two emergency receipts issued were not kept on file for subsequent inspection

We recommend the County Court and the Nebraska State Court Administrator review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed.

County Court's Response:

- *Signature stamps are kept in a safe place; however, to facilitate prompt and efficient customer service signature stamps are utilized rather than locating a judge for a signature. Management hopes that the AOC will be able to provide a means to have signatures electronically attached to documents that are generated so the stamps can be eliminated.*
- *Management will review reports to assure that case balances will be paid out in a timely fashion. The hiring of an Accounting Clerk in December of 2015 and some changes in job duties of other accounting personnel should help in the future with monitoring all case balance reports.*

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Segregation of Duties** (Concluded)

- *Management is hopeful that with the recent implementation of scanning traffic citations we will be less likely to misplace the supporting documentation that we are required to provide.*
- *Management understands the need for keeping the emergency receipt books in a safe and secure location and will reiterate to staff the importance of keeping the receipts on file. The three emergency receipt books that could not be located are from our Probate Division that physically moved their office space in November of 2015 to temporary quarters. There were a number of things put into storage and hopefully they can be recovered. In the meantime new books have been ordered.*

2. **Overdue Balances**

Good internal control and sound business practices require overdue balances of the County Court to 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 \$3,245, 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 the declaration of certain overdue balances as uncollectible. As of March 3, 2015, overdue balances, excluding restitution judgments, totaled \$2,409,263. As of April 23, 2016, overdue balances, excluding restitution judgments, totaled \$2,256,080, a decrease of \$153,183 or 6%.

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

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances.

County Court's Response: Staff continues to work on reviewing the Overdue Case Account Report. We also continue to work with our Presiding Judge to provide guidance as how to address the older cases with regard to issuing warrants or declaring the balances as uncollectible. Management is pleased that the overdue balances showed a decrease in the time period of March 3, 2015 through April 23, 2016 of 6%.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2008) provides, in relevant part, the following:

When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703 [judges retirement fee], two dollars of the fee provided in section 33-107.01 [legal services fee], the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived . . .

We noted the County Court waived \$17 of non-waiverable fees and costs in 8 of 30 cases tested.

When non-waiverable fees and costs are waived, the County Court is not in compliance with State statute and court orders.

We recommend the County Court waive only court fees and costs allowed by State statute.

County Court's Response: In the cases that were noted where \$17 of non-waiverable fees and costs were waived it was determined that staff was unsure of the proper procedure and this has been addressed with staff.



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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 the Douglas County Court as of and for the fiscal year ended June 30, 2015. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

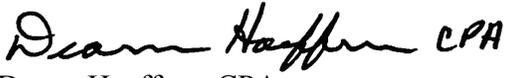
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, 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 the Douglas County Court, as of June 30, 2015, 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 are also required to obtain the views of management on those matters. 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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 it 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.

May 3, 2016


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, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 2,044,206	\$ 18,770,283	\$ 19,088,143	\$ 1,726,346
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 72,129	\$ 2,048,510	\$ 2,028,145	\$ 92,494
Law Enforcement Fees	3,718	186,405	185,838	4,285
State Judges Retirement Fund	13,201	666,888	665,098	14,991
Court Administrative Fees	20,789	1,084,951	1,083,951	21,789
Legal Services Fees	12,895	662,256	659,179	15,972
Due to County Treasurer:				
Regular Fines	72,157	3,354,056	3,366,241	59,972
Overload Fines	2,450	133,750	131,725	4,475
Regular Fees	2,486	106,690	108,006	1,170
Petty Cash Fund	-	3,535	-	3,535
Due to Municipalities:				
Regular Fines	22,616	965,853	968,564	19,905
Regular Fees	6,890	113,654	112,224	8,320
Trust Fund Payable	1,814,875	9,443,735	9,779,172	1,479,438
Total Liabilities	\$ 2,044,206	\$ 18,770,283	\$ 19,088,143	\$ 1,726,346

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2015

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.