

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2016

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Issued on May 18, 2017

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Douglas County Court, we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with Government Auditing Standards: Comment #1, which is considered to be a material weakness.

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.
4. ***Supporting Documentation:*** The County Court did not have accurate supporting documentation for transactions that occurred.

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. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous examinations.

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

- Access to signature stamps is not limited to the individual whose name is on the stamp.
- During testing, the County Court failed to take timely action on 12 of 40 case balances, totaling \$21,531, resulting in one individual being erroneously put on suspension.

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: County Court does not fully understand the statement listed above. If the auditors are willing to provide examples of specific processing transactions from beginning to end, this would greatly assist us in the future. For instance, currently in the event of a bond refund/return, a cashier identifies the need to have a bond refunded and/or returned. They take that request to a person in the finance department. The person in the finance department verifies the information and corroborates what is being requested, through independent follow-up. This finance person initiates and prints the check. The check is then presented to a different person for signature. Under this scenario, court feels that proper segregation of duties is in place. Court requests specific examples of processes that were observed or documented that are consistent with the comments and observations listed so the court may properly analyze, strategize, and execute proper procedures where possible.

With regard to "Access of signature stamps is not limited to the individual whose name is on the stamp.", court presents comments on this item.

First, the court ceased using signature stamps on checks after previous audits identified this as a concern. The court concurs that stamp signatures on checks is a practice that should be avoided and carries with it an extremely high risk of fraud.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Segregation of Duties (Concluded)

Secondly, the stamp is only used for waivers or limited specific orders. This approval was granted through an order from the Judge whose stamp is being used. With regard using the stamp on waivers, the court's position is that if the court is not allowed to use the stamp for these items, that it would create an unacceptable backlog of work that would increase our susceptibility for errors or omissions. Douglas County Court receives about 100 waived actions through the Internet (over a weekend) and 30-50 each day, as customers pay their fines. To date, court has an understanding that each waiver requires a waiver document signed by the Judge. These actions are in addition to the walk-up traffic the court processes. The current process allows the staff to process these waivers in regular intervals, thus allowing work to be checked (including actions to insure scanned items were accepted). If the process was changed and the orders were held, staff would have to process an extremely large group of waivers at one time, allow the system to process those waivers, then go back in and review each waiver to insure that system and the document scans were processed properly.

However, the court will research state law and determine if a Judge's signature is actually required (as is past practice), or if a clerk may sign these documents, thus reducing the need for a stamp.

With that said, court would submit that it would be helpful if the automation process of accepting waivers and payment over the Internet included an automated process that would generate a waiver order with a stored Judge's stamp (or some other authority), similar to some actions that are currently processed. Court will explore this option with the Administrative Office of Courts to determine the feasibility of such action.

Court believes that adding personnel to facilitate this is only one component, compared with Judges' availability as well.

APA Response: Although the Court may have control procedures in place over the refund of bonds, that is only one of the many processes the Court performs. As noted above, the procedures over the case balance process were not adequate, as evidenced by the twelve case balances that were not followed up on or the fact that an individual was put on suspension that should not have been. If adequate controls were in place, such an error would not occur. Additionally, as the Court described in its response, if one individual has access to a signature stamp, and that access allows the individual to either intentionally or unintentionally make an error by approving a waiver, then adequate controls have not been established. We will correspond with the Court on specific procedures that they should consider changing to insure an adequate segregation of duties in its processes.

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.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Overdue Balances (Concluded)

During testing of 30 overdue balances, 25, totaling \$6,336, 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 April 23, 2016, overdue balances, excluding restitution judgments, totaled \$2,256,080. As of April 25, 2017, overdue balances, excluding restitution judgments, totaled \$2,161,072, a decrease of \$95,008 or 4%. We have noted this issue in previous examinations.

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 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: In mid-2016, court changed its procedure from a manual type procedure to a report generated process. Prior, the court did not effectively use this report, thus reverted to an antiquated system. Since the active use of this report, court receives this report daily and actively acts on this report daily. Court would be interested in the dates of the 25 items identified during testing, as well as the case numbers, to determine if the current processes need reevaluation. In addition, the court would benefit from the case numbers, as many overdue case balances are related to probation fees. Action on, or against, these fees is initiated by court action by the Probation Office, which will trigger other actions on the court's side. Therefore, by identifying these items, court would be in a better position to determine what items were solely within the control of the court or what items rely on a third party action.

With regard to the overdue balances and the observation of the reduction of 4%, the court is aware of this as an item previously documented by auditors. However, the court is optimistic that a 4% reduction in this area is an improvement that has created a springboard for continued efforts. Court is sending another finance person to Advanced Finance Training and are cognizant of the importance of reports and effectively working these reports. The court understands the importance of regular reviews and has the command emphasis from management that is needed to continue in a diligent manner. The court is working with the City Prosecutor's Office to review items back to 1993 to facilitate a court costs due analysis, thus reaching a mutual agreement for further action.

APA Response: The Auditors will provide the Court with a listing of the 25 cases noted above.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Non-Waiverable Court Costs

Neb. Rev. Stat. § 29-2709 (Reissue 2016) 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 2 of 30 cases tested.

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

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

County Court's Response: The court understands the state law and importance of collecting fees. We continue to work diligently with court staff to insure that fees owed in our 90,000 cases (court wide) are properly collected.

4. Supporting Documentation

During testing, the County Court was unable to provide accurate supporting documentation for transactions that occurred. The following items were noted:

- Four checks payable to the State and County, totaling \$90,187, were voided; however, detailed support for the account codes affected by the transaction could not be provided.
- The Statement of Cash Position reports the County Court has \$3,515 in Cash and Currency; however, the cash on hand receipted into the County Court's system and the amount counted during the cash count performed totaled \$3,535. This variance occurred during fiscal year 2014 and has not been identified or corrected by the County Court.

When accurate supporting documentation for transactions that occur is not available, there is an increased risk of errors, omissions, and/or irregularities, which would not be detected and/or resolved in a timely manner.

We strongly recommend the County Court provide supporting documentation for all transactions that occur.

County Court's Response: With regard to supporting documentation and the reference to four checks not having detailed supporting documentation, court now understands that notations in JUSTICE are not permitted to stand on their own, according to Auditing Guidelines. Court has taken notice of the added report that the audit agency desires to fulfill the "supporting documentation" requirement. Court does believe that the transaction was accurately recorded in accordance to practice and procedures that were in place at the time.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. **Supporting Documentation** (Concluded)

With regard to the Statement of Cash Position discrepancy between \$3,515 and \$3,535, court does not disagree with this item. Management has provided finance with a firm deadline to work with Business Analysts within the courts to correct. This deadline is by May 24, 2017.



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DOUGLAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Douglas County Court as of and for the period July 1, 2015, to December 31, 2016. The County Court's management is responsible for the Schedule based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule 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. Those standards require that we perform the examination to obtain reasonable assurance about whether the Schedule is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the period July 1, 2015, to December 31, 2016, is based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

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 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 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 12, 2017


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

For the Period Ending December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
ASSETS				
Cash and Deposits	\$ 1,726,346	\$ 26,145,205	\$ 25,998,593	\$ 1,872,958
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 92,494	\$ 3,040,728	\$ 3,084,934	\$ 48,288
Law Enforcement Fees	4,285	280,973	279,228	6,030
State Judges Retirement Fund	14,991	1,183,020	1,170,402	27,609
Court Administrative Fees	21,789	1,572,467	1,560,634	33,622
Legal Services Fees	15,972	1,024,451	1,020,908	19,515
Due to County Treasurer:				
Regular Fines	59,972	4,786,795	4,793,782	52,985
Overload Fines	4,475	264,526	266,651	2,350
Regular Fees	1,170	174,021	172,675	2,516
Petty Cash Fund	3,535	-	-	3,535
Due to Municipalities:				
Regular Fines	19,905	1,307,457	1,315,301	12,061
Regular Fees	8,320	166,355	166,755	7,920
Trust Fund Payable	1,479,438	12,344,412	12,167,323	1,656,527
Total Liabilities	\$ 1,726,346	\$ 26,145,205	\$ 25,998,593	\$ 1,872,958

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Period Ended December 31, 2016

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 2016). 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.