

**ATTESTATION REPORT
OF THE
NEBRASKA SUPREME COURT
JULY 1, 2005 THROUGH JUNE 30, 2006**

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Issued on June 7, 2007

NEBRASKA SUPREME COURT

TABLE OF CONTENTS

	<u>Page</u>
Background Information Section	
Background	1 - 2
Organizational Charts	3 - 4
Comments Section	
Exit Conference	5
Summary of Comments	6 - 8
Comments and Recommendations	9 - 35
Financial Section	
Independent Accountant's Report	36 - 37
Schedule of Revenues, Expenditures, and Changes in Fund Balances	38 - 39
Notes to the Schedule	40 - 44
Government Auditing Standards Section	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances Performed in Accordance with <i>Government Auditing Standards</i>	45 - 46
Statistical Section	47
Supreme Court and Court of Appeals Cases Disposed	48
District Court and Separate Juvenile Court Case Filings	49
County Court Case Filings	50
Total Offenders and Cases Supervised – Probation	51
Investigations Completed - Probation	52

NEBRASKA SUPREME COURT

BACKGROUND

The Nebraska Supreme Court, established in 1867 and located in Lincoln, is Nebraska's highest court. The Supreme Court consists of a chief justice selected at large and six judges selected from six districts in Nebraska. The Nebraska Constitution assigns the Supreme Court general administrative authority over all courts in the State. This authority is exercised by the Chief Justice as head of the judicial branch and includes promulgation of uniform rules of practice and procedure for all courts. The Supreme Court is also responsible for regulating the practice of law including admission to practice and the discipline of lawyers and is the recipient entity for State General Fund monies directed towards the judicial branch of government. This includes the Supreme Court itself, the Court of Appeals, the County Court System, the District Court System, and the State Probation System.

The Court of Appeals, established in 1991, consists of six judges, with one judge appointed by the governor from each Supreme Court judicial district. The Court of Appeals hears appeals for criminal and civil cases, except for cases involving a death sentence or life imprisonment or cases involving the constitutionality of a statute. Parties to an appeal may file a petition with the Supreme Court to bypass review by the Court of Appeals. Following a decision by the Court of Appeals, any party to a case may petition the Supreme Court for further review of the decision.

District courts have original jurisdiction in all felony cases, equity cases, domestic relation cases, and civil cases where the amount in controversy involves more than \$45,000. District courts also serve as appellate courts in deciding some appeals from county courts and various administrative agencies. There are 12 judicial districts in Nebraska and 55 district judges who serve Nebraska's 93 counties. Clerks of the district court are county officers, elected and paid by the counties.

County courts have exclusive original jurisdiction in estate cases, probate matters, guardianship and conservatorship cases, actions based on violation of a city or village ordinance, juvenile court matters in counties without a separate juvenile court, adoptions, and eminent domain proceedings. The county courts have concurrent jurisdiction with the district courts in civil matters with amounts in controversy of less than \$45,000, criminal matters classified as misdemeanors or infractions, some domestic relations matters, paternity actions, and matters with a jurisdictional limit of \$2,400 filed in Small Claims courts. There are 12 judicial districts in the Nebraska county court system, each composed of 1 to 17 counties, and 59 county court judges. A clerk magistrate is appointed in each county, except Douglas, Lancaster, and Sarpy counties, where judicial administrators are appointed. The State pays county judges and county court employees. Each county pays for the cost of facilities, supplies, and equipment.

Nebraska Probation's service system includes juvenile intake, traditional probation, and intensive supervision (ISP) probation statewide in addition to its collaboration with the Department of Correctional Services in the Work Ethic Camp. Specialized substance abuse, drug court, other problem solving courts, and domestic violence and sex offender supervision services, as well as juvenile-specific probation services, are offered in select areas of the State.

NEBRASKA SUPREME COURT

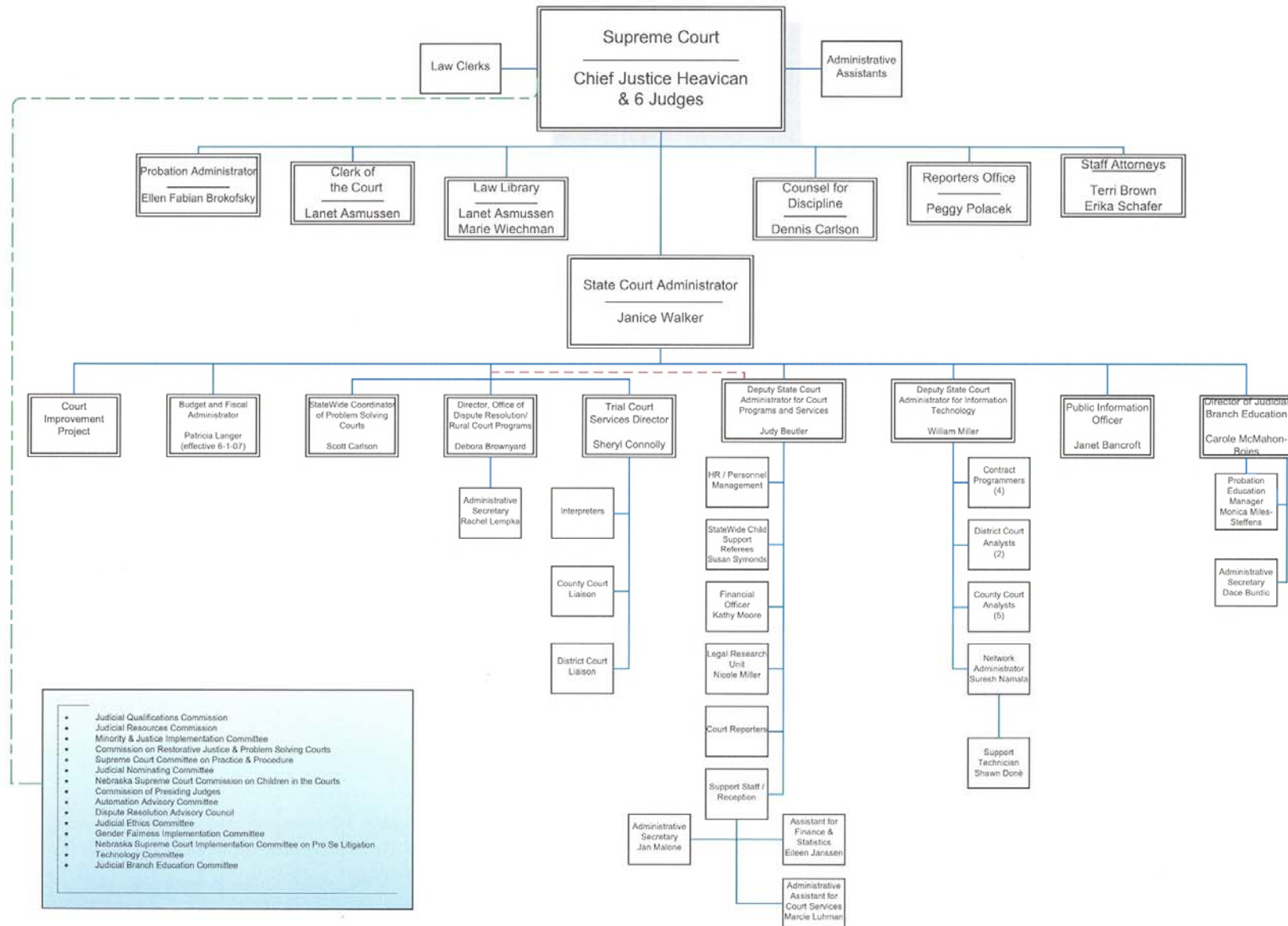
BACKGROUND

(Continued)

The Nebraska Probation System performs two vital roles: conducting investigative reports for the Supreme Court, to assist in decision-making regarding an offender's ultimate sentence or disposition; and supervising juvenile and adult offenders in the community. In 2005, the Legislature passed the Community Corrections Act which established the Community Corrections Council. The Council's primary purpose is to reduce incarceration as a means of managing nonviolent offenders. The Probation Office developed the statewide model for the delivery of substance abuse services, a fee-for-service voucher program to pay for substance abuse services, and a specialized substance abuse supervision program to provide quality case management in response to the Act.

NEBRASKA SUPREME COURT

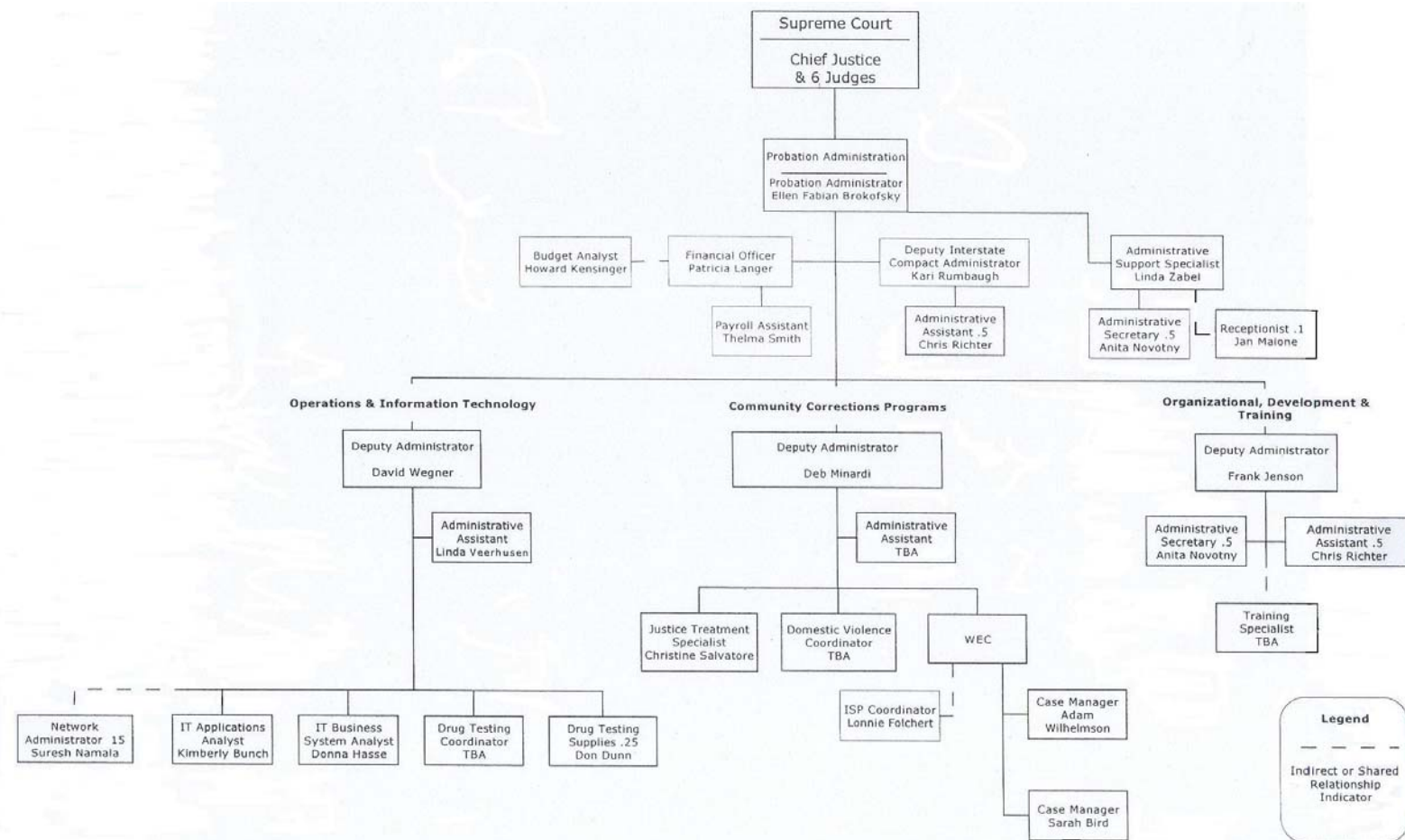
ORGANIZATIONAL CHARTS



NEBRASKA SUPREME COURT

ORGANIZATIONAL CHARTS

ADMINISTRATIVE OFFICE OF PROBATION



NEBRASKA SUPREME COURT

EXIT CONFERENCE

An exit conference was held May 10, 2007, with the Supreme Court to discuss the results of our examination. Those in attendance for the Nebraska Supreme Court were:

NAME	TITLE
Janice Walker	State Court Administrator
Ellen Brokofsky	State Probation Administrator
Lanet Asmussen	Clerk of the Supreme Court
Marie Wiechman	Nebraska State Library
Judy Beutler	Deputy State Court Administrator for Court Programs and Services
Kathy Moore	Financial Officer
Patricia Langer	Administrative Fiscal Analyst
Thelma Smith	Personnel Assistant - Probation

NEBRASKA SUPREME COURT

SUMMARY OF COMMENTS

During our examination of the Nebraska Supreme Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here.

1. ***Payroll Issues:*** Several issues were noted regarding the processing of payroll including a lack of segregation of duties, lack of adequate timesheets to record hours worked, employees with vacation balances remaining after termination, and employees who were not earning leave and not contributing to the State Employees Retirement Plan.
2. ***JUSTICE Controls:*** Of 349 terminated employees, 24 still had access to JUSTICE. One employee had administrator/financial/court staff/court supervisor access, which allowed them to issue receipts, checks, and update case related information. Seven employees had court staff access, which allowed them to issue receipts and update case related information. Fifteen employees had inquiry access only. A periodic review of access privileges within the JUSTICE application was not performed. Two of nine user ids with programmer access were for individuals who were not current employees of the Supreme Court or the CIO Mid-Range Systems Support Team.
3. ***Internal Control Over Expenditures:*** One individual could create and approve their own expenditure batches on NIS. There was no documented review of the general ledger and the Supreme Court's pre-audit procedures were inadequate.
4. ***Internal Control Over Revenues:*** One individual could create and approve their own deposit and invoice batches on NIS. There was no documented review of the general ledger. An initial list of checks received was not prepared upon opening the mail in the Clerk of the Supreme Court's Office and checks were not entered in the Clerk of the Supreme Court's receipting system immediately. Receipts were not issued for all monies received by the Library and checks were not endorsed immediately upon opening of the mail. The Library also did not have procedures to ensure amounts received for publications were properly deposited.
5. ***Timeliness of Deposits:*** Three of four deposits tested were not made in a timely manner in accordance with State Statute. The time between receipt and deposit of checks ranged from 4 to 20 business days.
6. ***Review of County and District Court Deposits:*** The Supreme Court did not have procedures in place to verify the portion of fees received from the county and district courts was reasonable. One of ten county and district court deposit documents tested did not agree to supporting documentation. The Supreme Court received approximately \$16 million in various court fees from the county and district courts during fiscal year 2006.

NEBRASKA SUPREME COURT

SUMMARY OF COMMENTS

(Continued)

7. ***Contracts:*** The Supreme Court did not adequately follow contract procedures for all 12 contractual expenditure documents tested. The payments tested for each document ranged from \$3,810 to \$69,302. Concerns noted included no contracts for 4 documents, no documentation to support a legal review of the contracts, contracts were not signed by both parties, no termination clause, and contracts were not adequately monitored.
8. ***Conference Expenditures:*** We noted three significant payments which did not appear to be reasonable expenses. The payments were for conferences with costs ranging from \$18,835 to \$74,813. One of the payments included \$48,208 in meals provided to attendees which did not appear reasonable.
9. ***Subsequent Expenditure:*** During a review of an invoice paid to the Lied Lodge and Conference Center, we noted the Supreme Court paid \$90 for a cash bar that provided beer, liquor, and wine to conference attendees.
10. ***Travel:*** There was a lack of compliance with Internal Revenue Service (IRS) regulations, State policies, and Supreme Court policies relating to meal and lodging expenses. The Supreme Court did not report commuting mileage to the IRS as taxable income for permanently assigned vehicles. There was not an adequate review of mileage logs and mileage reimbursements were not reasonable.
11. ***Expenditure Documentation and Coding:*** Adequate supporting documentation was not on file for 3 of 20 documents tested. The total of the expenditures ranged from \$3,810 to \$16,144. Four of twenty-six documents tested were not coded properly. Three documents were not coded to the proper account or fund. Adequate documentation was not available to support how an expenditure was split between funds.
12. ***Internal Control Over Capital Assets:*** Several issues were noted regarding the Supreme Court's capital assets including a lack of segregation of duties, no annual physical inventory of capital assets or supplies inventory, no independent review of capital asset reports, assets were not being added to NIS, four of five assets tested on NIS could not be traced to the physical item, and inadequate procedures to ensure surplus items were properly removed from capital asset records.
13. ***Excessive Cash Fund Balance:*** The fund balance at June 30, 2006, of the Counsel for Discipline Cash Fund 20570 appeared excessive; the balance at year end was enough to cover 15 months of expenditures.

NEBRASKA SUPREME COURT

SUMMARY OF COMMENTS

(Continued)

More detailed information on the above items is provided hereafter. It should be noted this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement.

Draft copies of this report were furnished to the Supreme 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.

We appreciate the cooperation and courtesy extended to our staff during the course of the examination.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

1. Payroll Issues

Internal Control Over Payroll Processing

Good internal control requires an adequate segregation of duties to ensure no one employee can both perpetrate and conceal errors or irregularities. If an adequate segregation of duties is not possible, controls should be implemented to compensate for the lack of segregation of such duties. Good internal control requires procedures to periodically review the allocation of payroll costs to ensure accuracy and reasonableness.

- The Supreme Court had six individuals with access to the payroll functions who were able to perform all payroll functions on NIS. The employees performed certain manual procedures to ensure payroll transactions were valid, such as reviewing employees' monthly gross pay, net pay, and hours worked; however, there was no independent review of the changes made by the individuals. This was noted in our prior report.
- One of the six individuals with access to payroll functions processed pre-payroll, reviewed the payroll registers, processed the final payroll report, approved journal entries, received and distributed payroll warrants/earning records, and compared the final payroll register to the General Ledger. Employees associated with the payroll functions did not periodically rotate certain duties.
- A comparison of the final payroll register to the pre-payroll register was not completed to ensure no unauthorized changes were made. There was also no documentation to support the comparison of the final payroll register to the General Ledger to ensure payroll posted properly.
- The Supreme Court determined payroll cost allocations at the time of hiring an individual. A review was not performed on a regular basis to ensure payroll costs were allocated to the correct fund and program.

The risk of loss or misuse of State funds increases with the lack of documented controls over payroll processing and documentation for payroll cost allocation.

We recommend the Supreme Court implement procedures to ensure there is an independent review of payroll. We also recommend the Supreme Court implement procedures for a documented review of the allocation of payroll costs to ensure accuracy.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Payroll Issues** (Continued)

Internal Control Over Payroll Processing (Concluded)

Supreme Court's Response:

- *The Administrative Office of the Courts and Probation will implement an independent overview of changes made in NIS to the payroll functions of each employee. The individual making the changes will not be the same as the individual verifying the changes at the time of payroll processing.*
- *The duty for distributing payroll warrants/earning records will be delegated to individuals with no payroll function access in NIS.*
- *A comparison of the final payroll register to the pre payroll register and the general ledger will be made and documented by someone other than the individuals making changes to employee's payroll functions or running each payroll.*

Timesheets

Of the 24 employees tested, 10 did not have adequate timesheets to document hours worked each week. Various timesheets were utilized by the Supreme Court for its employees. Some employees utilized timesheets with columns to record hours worked and leave hours used; however, some employees only recorded leave hours used on these timesheets. Some employees utilized leave requests which indicated the leave hours used each day, but did not document forty hours were worked each week. This comment was noted in our prior report.

Neb. Rev. Stat. Section 84-1001 R.R.S. 1999 states "All state officers and heads of departments and their deputies, assistants, and employees . . . shall render not less than forty hours of labor each week except any week in which a paid holiday may occur."

Nebraska Supreme Court Personnel Policies and Procedures Revised September 2005 states "Full-time employees shall account for at least 40 hours of work or leave time per week." Also, the Nebraska Supreme Court Personnel Policies and Procedures states "Each supervisor shall maintain the following personnel records: 1. Individual employees' monthly records of vacation, sick, and other leave taken and overtime hours earned on a time sheet for all full-time employees or a time card for part-time and temporary employees."

Good internal control requires procedures to ensure adequate documentation that all employees render forty hours of work each week, especially when employees will receive a payment for unused sick and vacation leave upon termination.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Payroll Issues** (Continued)

Timesheets (Concluded)

Without adequate documentation to support time worked, there is an increased risk of overpayments of accumulated unused leave time at termination and possible payment for services not rendered by an employee.

We recommend the Supreme Court implement procedures to ensure all employees who expect payment of unused leave at termination maintain adequate documentation to support forty hours of work each week.

Supreme Court's Response: The Administrative Office of the Courts and Probation implemented the use of a standardized timesheet where, at a minimum, any deviations from the required 40 hour work week are recorded.

Auditor's Response: Again, we recommend the Supreme Court implement procedures to ensure each employee documents 40 hours of work each week, either by completing a daily timesheet of time worked and leave used or by signing a statement certifying at least 40 hours of work were rendered each week, when only recording deviations from the required work week.

Law Clerks/Administrative Assistants

The Supreme Court had a total of 41 Law Clerks, Career Law Clerks, and Administrative Assistants who worked directly for the Justices of the Supreme Court and Court of Appeals. The salaries for these employees ranged from \$41,947 to \$51,398 a year. All were full time employees on NIS.

- Thirty-nine of these employees did not earn vacation or sick leave. According to the Supreme Court, none of these employees are to earn leave.
- Sixteen of these employees did not contribute to retirement. Law Clerks generally do not contribute to retirement; however, we did note two Law clerks who did contribute.
- There was no documentation to support hours worked and paid for two Law Clerks tested. The Supreme Court does not require Law Clerks, Career Law Clerks, and Administrative Assistants who work directly for the Justices of the Supreme Court and Court of Appeals to complete timesheets or leave requests.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. Payroll Issues (Continued)

Law Clerks/Administrative Assistants (Continued)

Neb. Rev. Stat. Section 81-1321 R.R.S. 1999 states “As used in sections 81-1320 to 81-1326, state employee shall mean any person or officer employed by the state including the head of any department or agency, except when such head is a board or commission, and who works a full-time or part-time schedule on an ongoing basis.” Neb. Rev. Stat. Sections 81-1320 and 81-1328 R.R.S. 1999 entitle State employees to vacation and sick leave.

Neb. Rev. Stat. Section 84-1301(5) R.R.S. 1999 defines, for the purpose of the State Employees Retirement Act, an employee as “any person or officer employed by the State of Nebraska whose compensation is paid out of state funds or funds controlled or administered by a state department . . .”

Neb. Rev. Stat. Section 84-1307(2) R.S.Supp., 2004 states “The following employees of the State of Nebraska are authorized to participate in the retirement system: (a) All permanent full-time employees who have twelve continuous months of service shall begin participation in the retirement system . . .”

Neb. Rev. Stat. Section 84-1001 R.R.S. 1999 states “All state officers and heads of departments and their deputies, assistants, and employees . . . shall render not less than forty hours of labor each week except any week in which a paid holiday may occur.” Good internal control requires procedures to ensure adequate documentation that all employees render forty hours of work each week.

This comment was also noted in our prior report.

Noncompliance with State statutes results in the loss of compensatory benefits for certain people.

We recommend the Supreme Court implement procedures to ensure all State employees earn vacation and sick leave as provided in State statutes. We also recommend the Supreme Court implement procedures to ensure all eligible employees are participating in the State Retirement Plan as required by statute. Finally, we recommend the Supreme Court implement procedures to ensure all employees maintain adequate documentation to support forty hours of work each week.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Payroll Issues** (Continued)

Law Clerks/Administrative Assistants (Concluded)

*Supreme Court's Response: The Supreme Court approved a plan for Administrative Assistants, Career Law Clerks and Non-Career Law Clerks with five or more years of service to begin earning sick and vacation leave as of July 1, 2007. Also included in this plan are Non-Career Law Clerks who have worked for the Court five or more years. As of July 1, 2007 the **Supreme Court Personnel Policies and Procedures** regarding Authorized Leave will apply to all Administrative Assistants and all Career Law Clerks and Non-Career Law Clerks who have worked five years or more for the Court.*

Auditor's Response: If the Administrative Assistants, Career Law Clerks, and Non-Career Law Clerks are State employees, they should be earning leave and contributing to retirement in accordance with state statutes. This would begin immediately upon the hire of the employees.

Leave Procedures

We tested six employees with vacation balances after their termination and noted the following:

- Two of six employees were not paid for their unused vacation balances. The number of unused vacation hours ranged from 8 to 224 hours. A similar finding was noted in our prior report.
- Four of six employees tested did not have their leave balances adjusted to zero after termination. The number of hours which should have been adjusted ranged from 2 to 283 hours. One of these employees earned eight hours of vacation and sick for one month as a temporary employee.

Neb. Rev. Stat. Section 81-1328 R.R.S. 1999 states "Each employee, upon retirement, dismissal, or voluntary separation from state employment, shall be paid for unused accumulated vacation leave."

Nebraska State Accounting Manual, AM-005, Payroll Adjustments to Leave Balances, Section 30, states "Agencies are responsible for updating their employee payroll records. When an agency determines an adjustment needs to be made to an employee's history record (e.g. leave) . . . An audit trail should be documented indicating why the change was made and showing the status before and after the change. It is recommended that this documentation be placed in the employee's personnel file."

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Payroll Issues** (Concluded)

Leave Procedures (Concluded)

Nebraska Supreme Court Personnel Policies and Procedures Revised September 2005 states “Each employee, upon retirement, dismissal, or voluntary separation ... shall be paid for unused accumulated vacation leave.” Also, the Nebraska Supreme Court Personnel Policies and Procedures Revised September 2005 states “Temporary employees shall not be eligible for vacation time . . . Temporary employees shall not be eligible for sick leave.”

Good internal control requires procedures to ensure compliance with personnel policies and procedures.

There is an increased risk of loss or misuse of State funds, or incorrect payments to terminated employees when policies and procedures are not followed.

We recommend the Supreme Court implement procedures to ensure all employees receive proper payment upon termination. We also recommend the Supreme Court implement procedures to review leave accounts of employees to ensure leave is accrued or not accrued as appropriate for the period of employment.

Supreme Court’s Response: The Administrative Office of the Courts and Probation believes the improved internal controls to be implemented for payroll processing outlined above (Internal Control Over Payroll Processing) will decrease the occurrence of this type of error.

2. **JUSTICE Controls**

Good internal control requires review of user and administrator access privileges within IT applications to ensure there are no unauthorized users or programmers of the application. Good internal control also requires individual user IDs to gain access to administrator accounts within the application.

The Judicial User System To Improve Courtroom Efficiency (JUSTICE) is a computer application used by the county and district courts to record all financial and case activity. JUSTICE also produces different court documents including warrants, summons, commitments, garnishments, and executions. The Supreme Court and the Office of the Chief Information Officer (CIO) Mid-Range Systems Support Team, work together to provide the county and district courts with access to JUSTICE.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **JUSTICE Controls** (Continued)

Functional access to JUSTICE is defined by nine user classes and seven case types; each user class has specific authority. The user classes are: administrator, financial, judge, judge staff, court staff, court supervisor, public, public official and law enforcement. The case types are adoption, civil, criminal, juvenile, probate, small claims, and traffic.

We noted the following during our review of access to the JUSTICE system:

- There were 24 out of 349 terminated employees who still had access to JUSTICE. One employee had administrator/financial/court staff/court supervisor access for all case types for Platte County Court. Seven employees had court staff access for criminal and traffic case types for Douglas and Lancaster County Courts. Sixteen employees had inquiry access only. This test included only the terminations of the State and did not include County employees who have terminated.

Administrator and court supervisor access to JUSTICE allows an individual to issue receipts and checks; void or adjust receipts and checks; open a case; record any activity for cases, including judgments, type of case, date filed, parties and attorneys involved; update a case's status (from closed to open); and amend a charge for criminal, traffic and juvenile case types. With the access provided to administrators and court supervisors, the terminated employee could fraudulently amend a charge for criminal, traffic or juvenile cases.

Financial access to JUSTICE allows an individual to issue receipts and checks and also adjust or void receipts and checks. When a terminated employee has financial access to JUSTICE the individual could issue fraudulent receipts or checks.

Court staff access to JUSTICE allows an individual to issue receipts; open a case; record any activity for cases, including judgments, type of case, date filed, parties and attorneys involved; and amend a charge for criminal, traffic and juvenile case types. Court staff access does not allow the individual to change the status of a case from open to closed. With court staff access to JUSTICE a terminated employee could make unauthorized changes to case information and charges, as well as, issue fraudulent receipts.

- Two of nine user IDs with programmer access were for individuals who were not current employees of the Supreme Court or the CIO Mid-Range Systems Support Team. One employee no longer worked as a programmer for the Supreme Court and the other user account was for the IBM Project Team. The IBM Project Team account was shared by the programmers to gain access to the Counties production environments which allowed

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **JUSTICE Controls** (Concluded)

them to make changes to data with a shared ID. When a terminated programmer has access to JUSTICE unauthorized changes could be made to the application and to data including the amendment of charges in court cases. When ID's are shared there is no way to determine who actually made any changes to the application.

- A periodic review of access privileges within the JUSTICE application was not performed to ensure the access provided to employees is needed to fulfill their job duties and all terminated employees' access is removed. When a periodic review of access to JUSTICE is not completed, there is an increased risk of unauthorized access to the application.

We recommend the Supreme Court implement procedures to review, on a regular basis, the list of all JUSTICE users, programmers, and system administrators granted access to ensure unauthorized access does not occur. We also recommend eliminating shared IDs to ensure no unauthorized changes to the application occur.

Supreme Court's Response:

- *The Supreme Court has implemented procedures to review, on a regular basis, the list of all Justice users, programmers, and system administrators granted access to ensure unauthorized access does not occur.*
- *Although the majority of shared IDs will be eliminated from the system, one shared ID must be maintained for the four programmers to push new and updated programs out to the system.*

Auditor's Response: As noted above, good internal control requires individual user IDs to ensure accountability for updates to the system. Again, we recommend the Supreme Court eliminate shared IDs to ensure no unauthorized changes occur.

3. **Internal Control Over Expenditures**

Nebraska State Accounting Manual, AM-005, Pre-Audit Guidelines, state "Pre-audit is a three-step process – three different people need to review each document that is required to be pre-audited." The State Accounting Manual also suggests using the pre-audit report as part of the review as it contains detailed information regarding expenditures. Good internal control requires all documents be adequately reviewed to ensure compliance with laws, regulations, policies, and to ensure coding for fund, program and account is correct.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Internal Control Over Expenditures** (Continued)

Good internal control requires an adequate segregation of duties to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires procedures to periodically review the general ledger detail report to ensure all transactions posted to the Supreme Court are authorized.

We noted the following regarding the Supreme Court's controls over expenditures:

- One individual was capable of creating and approving their own expenditure batches on NIS. This provided the individual with the capability to handle a transaction from beginning to end. This was noted in our prior report.
- There was no documented review of the general ledger to ensure expenditures posted properly and there were no unauthorized transactions. This was noted in our prior report.
- The Supreme Court's pre-audit procedures were inadequate. The pre-audit report was not being reviewed and a third person was not involved in the processing of expenditures for the Administrative Office of the Courts. The Administrative Office of Probation had a third person reviewing the pre-audit report; however, the individual was not familiar with the coding of documents. A similar finding was noted in our prior report.

Without an adequate segregation of duties, a documented review of the general ledger and an adequate review of documents, there is an increased risk for loss or misuse of State funds.

We recommend the following:

- The Supreme Court review its batch management to ensure no one individual can prepare and approve their own batches.
- The Supreme Court establish procedures for a documented review of the general ledger to ensure expenditures posted properly and there are no unauthorized transactions.
- The Supreme Court review their current pre-audit procedures to ensure a third individual is involved in the expenditure process and submit their pre-audit procedures to the Department of Administrative Services for approval.

Supreme Court's Response:

- *The batch management has been corrected so no individual in the Administrative Office of the Courts and Probation has the ability to handle an expenditure transaction from beginning to end.*

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Internal Control Over Expenditures** (Concluded)

Supreme Court's Response, Concluded:

- *Documentation of the review of the general ledger began in the current fiscal year.*
- *The Administrative Office of the Courts and Probation intends to develop and follow an adequate pre-audit procedure to include a third individual in the NIS expenditure process.*

4. **Internal Control Over Revenues**

Good internal control requires an adequate segregation of duties over the receipt of monies to ensure no one individual is in the position to both perpetrate and conceal errors or irregularities. Good internal control also requires a documented review of the general ledger to ensure receipts and invoices posted correctly.

The Supreme Court processes revenues in various offices; the Clerk of the Supreme Court, the Administrative Office of the Courts, the Library, and the Administrative Office of Probation. We noted the following regarding internal control over the Supreme Court's revenues:

- One individual was capable of creating and approving their own deposit and invoice batches on NIS. This provided the individual with the capability to process a transaction from beginning to end. This was noted in our prior report.
- There was no documented review of the general ledger to ensure all deposits and invoices posted correctly. This was noted in our prior report.
- An initial list of checks received was not prepared upon opening the mail in the Clerk of the Supreme Court's office. A list of checks was prepared when the deposit document was prepared and was not initialed or dated. Additionally, all checks were not entered in the Clerk of the Supreme Court's receipting system immediately.
- Receipts were not issued for monies received by the Library for photocopies or postage. The Library did not have procedures in place to ensure the amounts received for publications were properly deposited with the State Treasurer. Additionally, checks were not endorsed immediately upon the opening of the mail.

Without an adequate segregation of duties or controls to compensate for the lack of segregation of duties over the receipt process, there is an increased risk for loss or misuse of State funds.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. **Internal Control Over Revenues** (Concluded)

We recommend the following:

- The Supreme Court review its batch management to ensure one individual can not prepare and approve their own batches.
- The Supreme Court establish procedures for a documented review of the general ledger to ensure deposits and invoices post properly.
- The Clerk of the Supreme Court implement procedures to ensure a list of checks is prepared upon the opening of mail and all checks are receipted immediately.
- The Library issue receipts for all monies received and implement procedures to ensure publication monies are deposited appropriately with the State Treasurer.
- All checks be endorsed immediately upon receipt.

Supreme Court's Response:

- *The batch management has been corrected so no individual in the Administrative Office of the Courts and Probation has the ability to handle a revenue transaction from beginning to end.*
- *Documentation of the review of the general ledger began in the current fiscal year.*
- *The receipting procedures in the Clerk of the Supreme Court's office and the Library will be reviewed and updated to improve internal control over monies received.*

5. **Timeliness of Deposits**

Neb. Rev. Stat. Section 84-710 R.R.S. 1999 requires money received to be deposited with the State Treasurer within three business days when the total is \$500 or more and within seven days when the total amount is less than \$500.

Three of four deposits tested were not made in a timely manner in accordance with State statute. Daily amounts receipted ranged from \$300 to \$4,230. The time between receipt and deposit of checks ranged from 4 to 20 business days. This was noted in our previous report.

Without adequate procedures to ensure all deposits are made timely and in accordance with statute, there is an increased risk for loss or misuse of State funds.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

5. **Timeliness of Deposits** (Concluded)

We recommend the Supreme Court implement procedures to ensure deposits are made with the State Treasurer in a timely manner in accordance with State statute.

Supreme Court's Response: The Administrative Office of the Courts and Probation recognizes the importance of complying with Neb. Rev. Stat. Section 84-710 R.R.S. 1999 and will strive to make improvements in the timeliness of deposits.

6. **Review of County and District Court Deposits**

Good internal control requires a plan of organization, procedures, and records designed to safeguard assets and provide reliable financial records. Sound business practice requires procedures to ensure amounts collected by outside sources are correctly reported.

In fiscal year 2006, the Supreme Court received approximately \$16 million in various court fees from the county and district courts. Fees collected by the county and district courts are remitted monthly to the State Treasurer's Office and deposited into several different funds. County and district courts are audited annually. We noted the following:

- The Supreme Court did not have procedures in place to verify the portion of fees received from the county and district courts was reasonable.
- One of ten county and district court deposit documents tested did not agree to supporting documentation. The court remitted a portion of the legal aid fees as part of regular fees and costs. Legal aid fees are to be deposited into the Legal Aid Service Fund; regular fees and costs are deposited into the State General Fund.

Without procedures to ensure amounts collected by the county and district courts are correctly reported, there is an increased risk of loss or misuse of State funds.

We recommend the Supreme Court implement procedures to ensure the amounts collected by the county and district courts are correctly reported and deposited.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

6. Review of County and District Court Deposits (Concluded)

Supreme Court's Response: Court fees are collected and reported to the State Treasurer by individuals outside of the Administrative Office of the Courts and Probation limiting our ability to verify if they are correctly reported. However, as a part of the general ledger review noted above, the Administrative Office of the Courts and Probation will verify that the fees received each month are reasonable in relation to historically expected receipts.

7. Contracts

Neb. Rev. Stat. Section 73-503 R.R.S. 2003 states all State agencies shall process and document all contracts for services through the State accounting system no later than September 15, 2003. The requirements of this section also apply to the courts.

The State of Nebraska Records Retention Schedule 24-2-3 states contracts and agreements for general obligations may be disposed of five years after fulfillment of the contract, provided an audit has been completed. In addition, good internal control requires procedures to ensure contracts and agreements are maintained and are entered on NIS.

Good internal control also requires contracts be signed, contain specific information, be reviewed by legal counsel, and be adequately monitored to ensure provisions of the contract are met.

The Supreme Court did not enter contracts on NIS as required by statute; and did not utilize the purchase order function on NIS to aid in the monitoring of contracts.

The Supreme Court did not adequately follow contract procedures for all 12 contractual expenditure documents tested. The payments tested for each document ranged from \$3,810 to \$69,302. The following was noted for the contracts tested:

- The Supreme Court did not have contracts for 4 of the 12 contractual expenditure documents. Payments made to the vendors without a contract were for the use of an online risk assessment tool by probation officers to aid in the evaluation of offenders, the hiring of an attorney to investigate complaints against judges who did not comply with the Judicial Code of Conduct, leased equipment utilized by the Supreme Court and all county courts, and for the hiring of three trainers to provide Specialized Substance Abuse Supervision training to probation employees.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

7. **Contracts** (Concluded)

- Documentation was not available to support a legal review had been completed for the eight contracts on file.
- Three contracts were not signed by both parties.
- One contract did not contain a sufficient termination clause.
- Two contracts were not adequately monitored.
- The Supreme Court did not have a copy of one contract and had to obtain it from the contractor.

A similar finding was noted in our prior report.

When contracts are not entered on NIS, there is an increased risk contracts are not properly monitored and payments are not made in accordance with the contract terms, which could result in a loss or misuse of State funds. Also without adequate procedures to ensure contracts are specific and documented and to ensure a legal review of contracts is completed, there is an increased risk for loss or misuse of State funds.

We recommend the Supreme Court implement procedures to ensure all contracts are entered into the State accounting system as required by statute. We also recommend the Supreme Court implement procedures to ensure the terms of the contracts are specific, the original contract documentation is on file, and the contracts are signed. Finally, we recommend the Supreme Court implement procedures to ensure contracts are reviewed by legal counsel and are adequately monitored to ensure terms of the contract are met.

Supreme Court's Response:

- *The Administrative Office of the Courts and Probation will use the State of Nebraska Department of Administrative Services Service Purchases Two-Way Match Policy as a guideline for adhering to Neb. Rev. Stat. Section 73-503 R.R.S. 2003.*
- *The Administrative Office of the Courts and Probation will make every effort to ensure original signed contract documentation is on file for existing service contracts.*

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Conference Expenditures

Good internal control requires procedures to ensure proper documentation is maintained to support the selection of vendors and to ensure expenses are a reasonable use of State and Federal funds. Good internal control also requires procedures to ensure daily meal expenses are reasonable based on the Federal guidelines per place of travel.

OMB Circular A-87, Attachment A, Section C.2. states, “A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost.”

During a review of subsequent transactions, three significant payments were noted which did not appear to be reasonable expenses. The following was noted:

- Two payments were made to the Lied Lodge and Conference Center in Nebraska City, Nebraska for four different conferences. The four conferences noted were the Children, Families, and the Law; Nebraska Official Court Reporters Education Seminar; District Judges Summer Meeting; and the County Judges Summer meeting; which cost \$49,712, \$21,948, \$18,835, and \$23,732 respectively. The lodging/package rates ranged from \$119 to \$262 per night which included meals, lodging and conference expenses. The Supreme Court received a State Justice Institute grant for \$35,045 to pay for a portion of the Children, Families, and the Law Conference costs.
- The third payment was to the Marina Inn in South Sioux City, Nebraska, for the Probation Training Seminar which cost \$74,813. The payment consisted of lodging and \$48,208 in meals that were provided to attendees. The following chart compares the actual cost of the meals per day to the General Services Administration (GSA) guidelines.

Date (Meals Provided)	Total Cost	Total # Attendees	Total Cost Per Individual	GSA Guideline Per Individual	GSA Guideline Total	Total Above GSA
Day 1 (Breakfast & Lunch)	\$ 1,011	31	\$ 33	\$ 21	\$ 651	\$ 360
Day 2 (Breakfast & Lunch)	\$ 2,711	63	\$ 43	\$ 21	\$ 1,323	\$ 1,388
Day 3 (Breakfast & Lunch)	\$ 15,576	340	\$ 46	\$ 21	\$ 7,140	\$ 8,436
Day 4 (Breakfast, Lunch & Dinner)	\$ 22,397	315	\$ 71	\$ 39	\$ 12,285	\$ 10,112
Day 5 (Breakfast)	\$ 6,513	260	\$ 25	\$ 10	\$ 2,600	\$ 3,913
Grand Totals	\$ 48,208	-	-	-	\$ 23,999	\$ 24,209

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

8. Conference Expenditures (Concluded)

The Supreme Court could not provide documentation to support the selection of the Lied Lodge and Conference Center or the Marina Inn to support that these expenses were reasonable expenses to the State.

Without adequate procedures to ensure payments are reasonable expenses, there is an increased risk of misuse of State funds.

We recommend the Supreme Court implement procedures to ensure documentation is maintained to support the selection of vendors for significant expenses. We also recommend the Supreme Court implement procedures to ensure expenses are a reasonable use of State and Federal funds.

Supreme Court's Response: The Administrative Office of the Courts and Probation has procedures in place to ensure expenses are reasonable for the type and duration of education and training being provided.

Auditor's Response: Documentation should be maintained to support how the Supreme Court determined the locations were a reasonable expense to the State.

9. Subsequent Expenditure

OMB Circular A-87, Attachment B, Section 3 states, "Costs of alcoholic beverages are unallowable." Nebraska State Accounting Manual, AM-005, Travel Expense Policies, Section 6, also states no reimbursement may be made for alcoholic beverages. Good internal control requires procedures to ensure payments are in accordance with A-87 and State policies.

During a review of an invoice paid to the Lied Lodge and Conference Center for \$49,712, it was noted the Supreme Court paid \$90 for a cash bar that included beer, liquor, and wine. The individuals attending the Center on Children, Families, and the Law Conference paid for the individual alcohol items, but the lodge had to sell at least \$250 in bar related items. They sold \$160 worth of alcoholic beverages, so the Supreme Court had to pay the \$90 difference for the cash bar to meet revenue minimums. The Supreme Court received a State Justice Institute grant for \$35,045 to pay for a portion of the conference costs.

Without adequate procedures to ensure expenditures are reasonable and within OMB A-87 and DAS policies, there is an increased risk for fraud, waste, or misuse of State and Federal funds.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

9. **Subsequent Expenditure** (Concluded)

We recommend the Supreme Court implement procedures to ensure expenditures are reasonable and in accordance with OMB A-87 and State policies.

Supreme Court's Response: The Administrative Office of the Courts and Probation has procedures in place to ensure expenditures are reasonable.

Auditor's Response: Again, we recommend the Supreme Court ensure expenditures are in accordance with OMB A-87 and State policies.

10. **Travel**

Meal Expenses

Internal Revenue Service (IRS) Publication 463 requires an accountable plan to have adequate accounting of expenses. The publication states that adequate accounting requires employees to submit to their employers a statement of expenses, an account book, a diary, or a similar record. The publication states, "Documentary evidence ordinarily will be considered adequate if it shows the amount, date, place, and essential character of the expense." A restaurant receipt is enough to prove an expense for a business meal if it includes the name and location of the restaurant, the number of people served, and the date and amount of the expense. Credit card receipts do not contain adequate detail to substantiate meals.

Nebraska State Accounting Manual, AM-005, Travel Expenses, Section 6 states meal expenses incurred in the city or town in which the residence or primary work location of such employee is located, are not reimbursable.

The Nebraska Supreme Court Personnel Policies and Procedures Manual states if an employee's return time for one-day travel is after 7:00 p.m. or two hours after the employee's workday ends, whichever is later, the evening meal may be reimbursed.

Good internal control requires procedures to ensure amounts reimbursed for meals are reasonable and adequately documented.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel** (Continued)

Meal Expenses (Concluded)

As of September 2005, the Supreme Court required employees to submit meal logs or receipts to support meal expenses; however, the following was noted:

- Substantiating evidence was not on file to support meal expenses for five of seven documents tested. For four of the seven documents, the total unsubstantiated meals per document ranged from \$16 to \$156. There were no receipts or a meal log provided to support the meal expense, the employees submitted credit card receipts, or the log or receipt did not contain all required information, such as the restaurant name. For one document, the Supreme Court paid contractual travel expenses which included payment of meal expenses at a per diem rate of \$49 per day for 14.75 days for three individuals. The total paid for meals was \$723. The number of days paid could not be verified because there was not adequate documentation. A similar finding was noted in our prior report.
- A meal was not allowable per the location and stop time for one-day travel for one of seven documents tested. An employee claimed a meal expense that occurred in their headquarter city when the return time for the one-day travel was 7:00 p.m. The amount of the meal expense was \$6.

Without adequate documentation to substantiate meal expenses and without an adequate review to ensure meal expenses are allowable, there is an increased risk for loss or misuse of State funds. Lack of adequate documentation could also cause the State to lose its accountable plan status with the IRS, at which time any reimbursement to employees for meals would be taxable income.

We recommend the Supreme Court implement procedures to ensure adequate documentation is maintained to support meal expenses. In addition, we recommend the Supreme Court review all expense reimbursement requests to ensure all meals claimed are allowable per the Supreme Court's policies and procedures.

Supreme Court's Response: All employees are now required to document their meal expenditures on a meal log when submitting them for reimbursement.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel** (Continued)

Lodging

IRS Publication 463 considers employees to be traveling away from home if duties require the employee to be away from the general area of their tax home (regular place of business) substantially longer than an ordinary day's work.

Nebraska State Accounting Manual, AM-005, Travel Expenses, Section 4 states, "Sales to the State of Nebraska and its agencies are exempt from Nebraska sales, use and lodging tax." Section 4 of the Nebraska State Accounting Manual also states if an employee is approved to incur lodging expenses when less than 60 miles from his or her workplace, the reason must be clearly stated on the disbursement document.

Good internal control requires procedures to ensure lodging expenses are reasonable and economical.

Lodging was allowed for employees not considered "away from home overnight" for 2 of 13 documents tested with lodging expenses. A similar finding was noted in our prior report.

The following was noted for one of the documents, which was a payment to a hotel:

- 25 of 69 individuals stayed overnight even though they were less than 60 miles from their home. At \$82 per night, the total lodging for the 25 individuals was \$2,962. No documentation was available to support the reason these employees incurred the lodging costs.
- One employee incurred a late fee of \$82, which the Supreme Court paid for, but could not provide an explanation for the charge.
- The Supreme Court also paid \$600 for a hospitality suite for three nights. This appeared to be an unreasonable expense.
- A higher lodging rate of \$92 was paid for 3 of 69 employees for 3 nights. The Supreme Court could not provide an explanation as to why these employees were charged a higher rate.
- The Supreme Court paid \$328 for lodging for one of the speakers. There were two invoices under the same name for the same dates and amounts. Each invoice was for \$164. The Supreme Court could not provide an explanation as to why the speaker incurred charges for two rooms.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel** (Continued)

Lodging (Concluded)

- The meeting started on Wednesday and ended Thursday with an awards dinner at 6:30 p.m. Lodging expenses were incurred for 22 employees for 3 or more nights. Of the 22 employees, 6 were between 39 and 102 miles from their headquarter city. The total lodging paid for the 6 employees was \$1,476. Based on the distances from the employees' headquarter cities, it appeared unreasonable for the Supreme Court to pay for lodging. No documentation was available to support the reason these employees incurred lodging costs.

For the second document, two employees incurred lodging costs even though they were less than 60 miles from their headquarter city. Total lodging for the two employees was \$232. No documentation was available to support the reason these employees incurred lodging costs.

Without adequate procedures to ensure lodging expenses are reasonable and allowable, there is an increased risk for loss or misuse of State funds.

We recommend the Supreme Court implement procedures to ensure lodging expenses are only reimbursed when employees are "away from home overnight" according to the IRS. We also recommend the Supreme Court ensure all lodging costs are reasonable and allowable.

Supreme Court's Response: Documentation will be maintained to verify reason and approval for any employees incurring lodging costs when they are less than 60 miles from their headquarter city. All lodging costs will be reviewed to ensure their reasonableness.

Permanently Assigned Vehicles and Mileage

Neb. Rev. Stat. Section 81-1176(1) R.R.S. 1999 states, "If a trip or trips included in a request for payment or reimbursement filed under sections 81-1174 and 81-1175 are made by personal automobile or otherwise, only one mileage request shall be allowed for each mile actually and necessarily traveled in each calendar month by the most direct route . . ."

IRS Publication 15-B, Employer's Tax Guide to Fringe Benefits, states the value of an employer's vehicle provided to an employee to be used for business purposes is calculated by the miles for each one-way commute (that is, from home to work or from work to home) by \$1.50.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel** (Continued)

Permanently Assigned Vehicles and Mileage (Continued)

Good internal control requires procedures to review mileage logs in detail to ensure mileage logs are properly completed and vehicles are utilized in accordance with Section V of the Transportation Services Bureau (TSB) Policies and Procedures Manual for the acquisition, operation, maintenance, and repair of all state-owned motor vehicles. The TSB Policies and Procedures Manual also requires agencies to obtain approval from DAS to take a vehicle home overnight.

Good internal control requires procedures to adequately review expense reimbursement documents to ensure mileage is reasonable per the destination traveled to and from and to adequately review expenditure documents to ensure the amount paid agrees to the supporting documentation.

The Supreme Court had a total of 57 permanently assigned vehicles, 54 of which were assigned to the Administrative Office of Probation and 3 of which were utilized by County Judges. Authorization was obtained for 38 vehicles to be taken home overnight due to the requirements of the employees' position.

- The Supreme Court did not obtain authorization from DAS to take one vehicle home overnight, which was assigned to a County Judge.
- We tested mileage logs for six vehicles and noted four of the six utilized the vehicle for commuting purposes. The Supreme Court did not properly report commuting mileage to the IRS as taxable income for any of the permanently assigned vehicles which were approved to be taken home overnight. Two of six mileage logs tested were not properly completed.
- The Administrative Office of the Courts did not have adequate procedures to review their mileage logs and the Administrative Office of Probation did not adequately document their review of the mileage logs. In addition, the review of the utilization of permanently assigned vehicles was not documented.
- For 1 of 17 travel documents tested, the mileage traveled for two months per the mileage logs did not agree to the amount billed by DAS TSB. The Supreme Court was overcharged \$315, and no adjustment for the error was noted on subsequent billings.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

10. **Travel** (Concluded)

Permanently Assigned Vehicles and Mileage (Concluded)

- For 5 of 16 travel documents tested, mileage reimbursements were not reasonable based on the most direct route of travel or the mileage traveled could not be verified because the locality was the same for the beginning and ending destinations; the purpose of the travel was not descriptive enough to adequately determine the mileage traveled between each point of destination. The excess mileage claimed per document ranged from 14 to 110 miles.

A similar finding was noted in the prior report.

Without adequate procedures to ensure mileage logs are properly completed and mileage expenses are reasonable, there is an increased risk for loss or misuse of State funds. In addition, without adequate procedures to ensure commuting miles are properly reported on permanently assigned vehicles, the Supreme Court is not in compliance with IRS regulations.

We recommend the Supreme Court implement procedures to ensure commuting miles in State vehicles are properly reported as taxable income. We also recommend the Supreme Court obtain approval from DAS for all vehicles which are taken home overnight. Finally, we recommend the Supreme Court implement procedures to review mileage logs to ensure logs are completed in accordance with DAS TSB policies and procedures, review the utilization of permanently assigned vehicles, and ensure amounts owed to DAS TSB agree to the supporting documentation. The review should be documented.

Supreme Court's Response:

- *Procedures to document and record commuting miles as taxable income will be implemented.*
- *DAS approval for vehicles which are taken home overnight will be obtained.*
- *Mileage logs will be compared to DAS TSB's supporting documentation to verify amounts billed.*
- *The reasonableness of mileage claimed on expense reimbursements will be reviewed.*

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

11. **Expenditure Documentation and Coding**

Supporting Documentation

Good internal control requires procedures to ensure adequate documentation is maintained to support all transactions.

Adequate supporting documentation was not on file for 3 of 20 documents tested. Documentation was not available to support the rates charged by the vendors. The total of the expenditures ranged from \$3,810 to \$16,144. For one of the documents, the Supreme Court was also charged for items that were to be provided by the vendor at no cost. A similar finding was noted in our prior report.

Without procedures to ensure adequate documentation is maintained to support all expenditures, there is an increased risk of possible loss or misuse of State funds.

We recommend the Supreme Court implement procedures to ensure adequate supporting documentation is maintained for all transactions.

Supreme Court's Response: Adequate supporting documentation will be maintained for all transactions.

Coding of Expenditures

Good internal control and sound accounting practice require the use of proper coding for fund, program, and major account, to ensure accounting records are accurate and the financial schedule is properly reflected.

We noted 4 of 26 documents tested were not coded properly:

- One document was for a grant reimbursement of \$20,009 which was coded to an expenditure account rather than a revenue account.
- One document for \$13,965 was paid from the State General Fund. The document was for relay services related to the JUSTICE system and should have been paid from the Supreme Court Automation Fund.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

11. **Expenditure Documentation and Coding** (Concluded)

Coding of Expenditures (Concluded)

- One document did not have adequate documentation to support how the expenditure was split between the State General Fund and the Supreme Court Automation Fund. The expenditure totaled \$50,224. A similar finding was noted in our prior report.
- One document included \$125 in charges for the Statewide Probation Program that was paid from the Court Administration Program. The expenditure was paid from the correct fund.

Without adequate procedures to ensure all transactions are coded to the proper fund, program, and major account, there is an increased risk of financial schedule misstatement.

We recommend the Supreme Court implement procedures to ensure documents are properly coded for fund, program, and major account.

Supreme Court's Response: The internal control procedures outlined above in (Internal Control Over Expenditures) will minimize coding errors; however, general funds will continue to be used to support automation expenditures as we feel this is a reasonable and acceptable use of our general fund support.

Auditor's Response: Documentation should be maintained to support how costs are allocated between the General Fund and Supreme Court Automation Fund.

12. **Internal Control Over Capital Assets**

Neb. Rev. Stat. Section 81-1118.02(1) R.R.S 1999 states, "Each executive, department, commission, or other state agency, including the Supreme Court . . . shall annually make or cause to be made an inventory of all property, including furniture and equipment, belonging to the State of Nebraska and in the possession, custody, or control of any executive, department, commission, or other state agency . . ."

Neb. Rev. Stat. Section 81-1118.02(3) R.R.S 1999 states, "Each such executive, department, commission, or other state agency shall indelibly tag, mark, or stamp all such property belonging to the State of Nebraska, with the following: Property of the State of Nebraska."

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

12. Internal Control Over Capital Assets (Continued)

Good internal control requires an adequate segregation of duties over capital assets to ensure no one individual is in a position to both perpetrate and conceal errors or irregularities. Good internal control also requires procedures to ensure capital asset records are accurate. The Supreme Court has adopted the DAS capital asset policy of recording all items with a purchase cost of \$1,500 or more on NIS.

The following was noted related to the Supreme Court's capital asset procedures:

- One individual was authorized to perform all capital asset transactions including maintenance of records, adding, and deleting items on NIS. This same individual was also responsible for coordinating the annual physical inventory. However, no physical inventory of capital assets or supplies was completed for the Supreme Court. This was also noted in our prior report.
- No individual reviewed the NIS capital asset integrity reports to ensure all items were properly added to NIS. There was no independent review of the NIS additions and retirements report. Also, no individual reviewed the Surplus Property Notification Forms to ensure there were no unauthorized deletions. A similar finding was noted in our prior report.
- No individual was adding assets to NIS on a regular basis. During a review of the Supreme Court's records, assets were noted from both the current fiscal year and the prior fiscal years that needed to be added to the capital asset listing. A similar finding was noted in our prior report.
- Four of five assets tested could not be traced from NIS to the physical asset. The assets included computers, recorders, and a pupil meter. One of the items could be traced; however, it was not tagged as "Property of the State of Nebraska." A similar finding was noted in our prior report.
- One of three physical assets tested which had a value greater than \$1,500 could not be traced to NIS because it had not been added to the inventory records. The item, a flat panel television, was also not tagged as "Property of the State of Nebraska." A similar finding was noted in our prior report.

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

12. Internal Control Over Capital Assets (Continued)

- One of two retired assets tested could not be traced to the surplus property notification form. We also could not verify the proceeds from the sale of surplus property were deposited to the Supreme Court for the two retired assets tested. The assets noted included a laptop and a computer which were both surplus during fiscal year 2003 and were not removed from the inventory records until fiscal year 2006.
- Both retired assets tested from the surplus property notification forms could not be traced to the deletions on NIS. The assets were surplus in March 2006 but as of March 2007, the assets were still pending destruction. The Supreme Court did not have procedures to ensure assets surplus were properly removed from the inventory records by DAS Surplus Property.

Without an adequate segregation of duties and other controls to ensure items are properly added to the capital asset listing, there is an increased risk for the loss or misuse of State assets.

We recommend the following:

- The Supreme Court implement procedures to ensure an adequate segregation of duties is in place over capital assets. These procedures should require an individual separate from the capital asset process review the NIS capital asset reports including the integrity reports and the additions and retirements report to ensure all additions were properly added to the listing and all deletions were authorized.
- An individual not involved with the capital asset process complete the annual physical inventory.
- The Supreme Court implement procedures to ensure items are properly added to the capital asset listing. This would include going back to the inception of NIS to ensure all items prior to fiscal year 2006 were added to the listing. These procedures should require an individual ensuring the capital asset records on NIS are accurate and all items with a cost of \$1,500 or more are added to the listing per the Supreme Court's policy.
- The Supreme Court implement procedures to ensure all assets are appropriately tagged as "Property of the State of Nebraska."

NEBRASKA SUPREME COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

12. Internal Control Over Capital Assets (Concluded)

Supreme Court's Response: An individual separate from the capital asset process has now been assigned to review the NIS capital asset reports. This individual will complete the annual physical inventory, ensure assets are properly added to the inventory, and verify that all assets are appropriately tagged.

13. Excessive Cash Fund Balance

Sound business practice and good internal control require a review of fees charged for services to ensure the appropriateness of the fees charged in relation to the costs.

Members of the Nebraska State Bar Association pay fees to support the Counsel for Discipline whose duties include reviewing, investigating, or referring for investigation all matters of alleged misconduct by attorneys. The fees received are deposited in the Counsel for Discipline Cash Fund 20570 and used to support the costs of the Counsel. At June 30, 2006, the fund balance appeared excessive; the balance at year end of \$538,800 was enough to cover 15 months of expenditures. The fee paid by members was increased in fiscal year 2005. A similar finding was noted in our prior report.

Without an annual review of fees charged, there is an increased risk the Supreme Court is charging higher fees than required to cover the costs of the Counsel for Discipline's operations.

We recommend the Supreme Court implement procedures to review the balance in the cash funds on a regular basis to ensure the fees charged are appropriate in relation to costs.

Supreme Court's Response: The Administrative Office of the Courts and Probation reviews fees on a regular basis to ensure an adequate fund balance is maintained to support Court program operations.

STATE OF NEBRASKA
Auditor of Public Accounts



Mike Foley
State Auditor
Mike.Foley@apa.ne.gov

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA SUPREME COURT

INDEPENDENT ACCOUNTANT'S REPORT

Nebraska Supreme Court
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Supreme Court (Supreme Court) for the fiscal year ended June 30, 2006. The Supreme Court's management is responsible for the schedule of revenues, expenditures, and changes in fund balances. 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 schedule of revenues, expenditures, and changes in fund balances 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 revenues, expenditures, and changes in fund balances of the Nebraska Supreme Court for the fiscal year ended June 30, 2006, based on the accounting system and procedures prescribed by the State of Nebraska Director of Administrative Services as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2007, on our consideration of the Nebraska Supreme Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 attestation engagement performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our examination.

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

A handwritten signature in black ink that reads "Timothy J. Channer CPA". The signature is fluid and cursive, with the letters "CPA" written in a slightly more formal, blocky style at the end.

Assistant Deputy Auditor

May 10, 2007

NEBRASKA SUPREME COURT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	General Fund 10000	Supreme Court Reports Fund 20510	Probation Supervision Fund 20520	Supreme Court Education Fund 20530	Supreme Court Automation Fund 20540	Dispute Resolution Cash Fund 20550	Probation Contractual Services Fund 20560
REVENUES:							
Appropriations	\$ 58,629,143	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	(461)	-	115	-	12,500	-	571,373
Sales & Charges	9,639,978	130,203	290	2,709	9,409	-	-
Miscellaneous	156,902	40,594	660,442	410,349	2,752,973	302,398	5,287
TOTAL REVENUES	68,425,562	170,797	660,847	413,058	2,774,882	302,398	576,660
EXPENDITURES:							
Personal Services	55,716,048	22,671	4,763	86,913	387,164	-	534,341
Operating	2,044,465	96,744	476,289	89,603	1,995,651	-	28,082
Travel	868,310	-	26,113	132,792	13,237	-	13,598
Capital Outlay	320	-	146,678	-	-	-	11,038
Government Aid	-	-	-	-	-	270,000	-
TOTAL EXPENDITURES	58,629,143	119,415	653,843	309,308	2,396,052	270,000	587,059
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,796,419	51,382	7,004	103,750	378,830	32,398	(10,399)
OTHER FINANCING SOURCES (USES):							
Sales of Assets	1,583	-	-	-	-	-	-
Deposit to General Fund	(9,798,002)	-	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(9,796,419)	-	-	-	-	-	-
Net Change in Fund Balances	-	51,382	7,004	103,750	378,830	32,398	(10,399)
FUND BALANCES, JULY 1, 2005	9,125	239,323	195,039	421,838	577,966	98,399	71,222
FUND BALANCES, JUNE 30, 2006	\$ 9,125	\$ 290,705	\$ 202,043	\$ 525,588	\$ 956,796	\$ 130,797	\$ 60,823
FUND BALANCES CONSIST OF:							
General Cash	\$ -	\$ 282,931	\$ 142,043	\$ 526,695	\$ 963,654	\$ 130,797	\$ 60,823
Petty Cash	125	-	-	-	-	-	-
NSF Items	-	966	-	-	-	-	-
Deposits with Vendors	9,000	-	-	-	-	-	-
Accounts Receivable Invoiced	-	6,808	-	-	-	-	-
Due From Other Funds	-	-	60,000	-	-	-	-
Due From Other Government	-	-	-	(1,107)	-	-	-
Revenue From Other Agencies	-	-	-	-	(6,858)	-	-
Due to Fund	-	-	-	-	-	-	-
TOTAL FUND BALANCES	\$ 9,125	\$ 290,705	\$ 202,043	\$ 525,588	\$ 956,796	\$ 130,797	\$ 60,823

The accompanying notes are an integral part of the schedule.

(Continued)

NEBRASKA SUPREME COURT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended June 30, 2006

	Counsel For Discipline Fund 20570	Probation Program Fund 20580	Federal General Fund 40000	Supreme Court Grants Fund 40500	Juvenile Account Grant Fund 40510	Probation Grants Fund 40520	Totals (Memorandum Only)
REVENUES:							
Appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,629,143
Intergovernmental	-	-	194,166	305,230	-	21,871	1,104,794
Sales & Charges	586,487	-	-	-	-	-	10,369,076
Miscellaneous	19,330	2,856,173	-	2,908	3	278	7,207,637
TOTAL REVENUES	605,817	2,856,173	194,166	308,138	3	22,149	77,310,650
EXPENDITURES:							
Personal Services	326,848	18,950	-	122,889	-	-	57,220,587
Operating	102,011	146,968	194,166	114,695	-	8,965	5,297,639
Travel	7,989	97,846	-	23,060	-	7,392	1,190,337
Capital Outlay	15	-	-	-	-	-	158,051
Government Aid	-	-	-	-	-	-	270,000
TOTAL EXPENDITURES	436,863	263,764	194,166	260,644	-	16,357	64,136,614
Excess (Deficiency) of Revenues Over (Under) Expenditures	168,954	2,592,409	-	47,494	3	5,792	13,174,036
OTHER FINANCING SOURCES (USES):							
Sales of Assets	-	-	-	-	-	-	1,583
Deposit to General Fund	-	-	-	-	-	-	(9,798,002)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-	-	(9,796,419)
Net Change in Fund Balances	168,954	2,592,409	-	47,494	3	5,792	3,377,617
FUND BALANCES, JULY 1, 2005	369,846	3,999,830	-	110,047	65	15,054	6,107,754
FUND BALANCES, JUNE 30, 2006	<u>\$ 538,800</u>	<u>\$ 6,592,239</u>	<u>\$ -</u>	<u>\$ 157,541</u>	<u>\$ 68</u>	<u>\$ 20,846</u>	<u>\$ 9,485,371</u>
FUND BALANCES CONSIST OF:							
General Cash	\$ 538,800	\$ 6,592,239	\$ -	\$ 132,409	\$ 68	\$ 6,030	\$ 9,376,489
Petty Cash	-	-	-	-	-	-	125
NSF Items	-	-	-	-	-	-	966
Deposits with Vendors	-	-	-	-	-	-	9,000
Accounts Receivable Invoiced	-	-	-	85,132	-	14,816	106,756
Due From Other Funds	-	-	-	-	-	-	60,000
Due From Other Government	-	-	-	-	-	-	(1,107)
Revenue From Other Agencies	-	-	-	-	-	-	(6,858)
Due to Fund	-	-	-	(60,000)	-	-	(60,000)
TOTAL FUND BALANCES	\$ 538,800	\$ 6,592,239	\$ -	\$ 157,541	\$ 68	\$ 20,846	\$ 9,485,371

The accompanying notes are an integral part of the schedule.

(Concluded)

NEBRASKA SUPREME COURT

NOTES TO THE SCHEDULE

For the Fiscal Year Ended June 30, 2006

1. Criteria

The accounting policies of the Nebraska Supreme Court (Supreme Court) are on the basis of accounting as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. Section 81-1107(2) R.S.Supp., 2004, the State of Nebraska Director of Administrative Services duties include “The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes.”

The Nebraska Information System (NIS) is the official accounting system prescribed by DAS for the State of Nebraska. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS – Accounting Division and available to the public. The financial information used to prepare the schedule of revenues, expenditures, and changes in fund balances for the Supreme Court was obtained directly from NIS. NIS records accounts receivable and accounts payable as transactions occur. As such, certain revenues are recorded when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounts payable liability recorded on NIS, and thus recorded as expenditures, as of June 30, 2006, includes only those payables posted to NIS before June 30, 2006, and not yet paid as of that date. The amount recorded as expenditures as of June 30, 2006, **does not** include amounts for goods and services received before June 30, 2006, which had not been posted to NIS as of June 30, 2006.

NIS also records other liabilities in an account titled Due to Fund for the Supreme Court. The assets in the fund are being held by the State as an agent and will be used to pay those liabilities to other funds. The recording of those liabilities reduces the fund balance/equity.

NIS does not include liabilities for accrued payroll and compensated absences.

The fund types established by NIS that are used by the Supreme Court are:

10000 – General Fund – accounts for all financial resources not required to be accounted for in another fund.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes.

NEBRASKA SUPREME COURT

NOTES TO THE SCHEDULE
(Continued)

1. Criteria (Continued)

40000 – Federal Funds – account for all federal grants and contracts received by the State. Expenditures must be made in accordance with applicable federal requirements.

The major revenue object account codes established by NIS used by the Supreme Court are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Intergovernmental – Revenue from other governments in the form of grants, entitlements, shared revenues, payments in lieu of taxes, or reimbursements.

Sales & Charges – Income derived from sales of merchandise and commodities, compensation for services rendered, and charges for various licenses, permits, and fees.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income and fees collected by the State's county and district courts, such as court automation fees, probation administration enrollment and monthly program fees, intensive supervision probation fees, drug testing and electronic monitoring fees, offender assessment screens, dispute resolution fees, and Supreme Court education fees.

The major expenditure object account titles established by NIS used by the Supreme Court are:

Personal Services – Salaries, wages, and related employee benefits provided for all persons employed by the Supreme Court.

Operating – Expenditures directly related to a program's primary service activities.

Travel – All travel expenses for any state officer, employee, or member of any commission, council, committee, or board of the State.

Capital Outlay – Expenditures which result in the acquisition of or an addition to capital assets. Capital assets are resources of a long-term character, owned or held by the government.

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

NEBRASKA SUPREME COURT

NOTES TO THE SCHEDULE

(Continued)

1. **Criteria** (Concluded)

Other significant object account codes established by NIS and used by the Supreme Court include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts, deposits with vendors, and receivable accounts. Accounts receivable are recorded as an increase to revenues and an increase to fund balance on the schedule. Cash accounts and deposits with vendors are also included in fund balance and are reported as recorded on NIS.

Liabilities – Legal obligations arising out of transactions in the past that must be liquidated, renewed, or refunded at some future date. Accounts payable transactions increase expenditures and decrease fund balance. Other liabilities recorded on NIS for the Supreme Court's funds at June 30, 2006, included Due to Fund. The activity of this account is not recorded on the Schedule of Revenues, Expenditures, and Changes in Fund Balances as it is not recorded through revenue and expenditure accounts.

Other Financing Sources – Proceeds of fixed asset dispositions and deposits to the State General Fund.

2. **State Agency**

The Nebraska Supreme Court is a State agency established under and governed by the laws of the State of Nebraska. As such, the Supreme Court is exempt from State and Federal income taxes. The schedule includes all funds of the Supreme Court.

The Nebraska Supreme Court is part of the primary government for the State of Nebraska.

3. **Totals**

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

NEBRASKA SUPREME COURT

NOTES TO THE SCHEDULE

(Continued)

4. General Cash

General cash accounts are under the control of the State Treasurer or other administrative bodies as determined by law. All cash deposited with the State Treasurer is initially maintained in a pooled cash account. On a daily basis, the State Treasurer invests cash not needed for current operations with the State's Investment Council that maintains an operating investment pool for such investments. Interest earned on those investments is allocated to funds based on their percentage of the investment pool.

5. Capital Assets

Under NIS, capital assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures. Capital assets, which would include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) would be reported for the State of Nebraska in the Comprehensive Annual Financial Report (CAFR). The Supreme Court values all capital assets at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, equipment that has a cost of \$1,500 at the date of acquisition and has an expected useful life of two or more years is capitalized. Depreciation expenses would be reported in the CAFR in the funds used to acquire or construct them for the State of Nebraska. The cost of normal maintenance and repairs that does not add to the value of the asset or extend the asset's life is not capitalized.

Equipment is depreciated using the straight-line method with estimated useful lives of three to ten years.

Capital asset activity of the Supreme Court for the fiscal year ended June 30, 2006, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets				
Equipment	\$ 462,297	\$ 4,510	\$ 28,262	\$ 438,545
Less accumulated depreciation for:				
Equipment				335,854
Total capital assets, net of depreciation				\$ 102,691

NEBRASKA SUPREME COURT

NOTES TO THE SCHEDULE

(Continued)

6. **Reconciliation of Bank Records to the Nebraska Information System**

Through their bank reconciliation procedures, DAS State Accounting Division (State Accounting) has identified a large unknown statewide variance between the State Treasurer's bank statements and the State's balances in the general ledger. This unknown variance indicates the bank records are short as compared to the accounting records. Some adjustments to the accounting records may be needed and may affect the fund balances of the Supreme Court. At this time, it has not been determined how or when adjustments to the accounting records might be made. State Accounting is unable to determine the affect of such adjustment, if any, on the Supreme Court's balances; however, State Accounting believes it will not have a material impact on the Supreme Court's operations.

STATE OF NEBRASKA
Auditor of Public Accounts



Mike Foley
State Auditor
Mike.Foley@apa.ne.gov

P.O. Box 98917
State Capitol, Suite 2303
Lincoln, NE 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

NEBRASKA SUPREME COURT
**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION OF THE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Nebraska Supreme Court
Lincoln, Nebraska

We have examined the accompanying schedule of revenues, expenditures, and changes in fund balances of the Nebraska Supreme Court for the fiscal year ended June 30, 2006, and have issued our report thereon dated May 10, 2007. We conducted our examination 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.

Internal Control Over Financial Reporting

In planning and performing our examination, we considered the Nebraska Supreme Court's internal control over financial reporting in order to determine our procedures for the purpose of expressing our opinion on the schedule of revenues, expenditures, and changes in fund balances, and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Nebraska Supreme Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial schedule. Reportable conditions are described in the Comments Section of the report as Comment Number 1 (Payroll Issues), Comment Number 3 (Internal Control Over Expenditures), Comment Number 4 (Internal Control Over Revenues), and Comment Number 12 (Internal Control Over Capital Assets).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedule being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Nebraska Supreme Court's schedule of revenues, expenditures, and changes in fund balances, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial schedule amounts. However, providing an opinion on compliance with those provisions was not an objective of our examination, 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 items that we reported to management of the Nebraska Supreme Court in the Comments Section of this report as Comment Number 2 (JUSTICE Controls), Comment Number 5 (Timeliness of Deposits), Comment Number 6 (Review of County and District Court Deposits), Comment Number 7 (Contracts), Comment Number 8 (Conference Expenditures), Comment Number 9 (Subsequent Expenditure), Comment Number 10 (Travel), Comment Number 11 (Expenditure Documentation and Coding), and Comment Number 13 (Excessive Cash Fund Balance).

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

Handwritten signature of Timothy J. Channer CPA in black ink.

Assistant Deputy Auditor

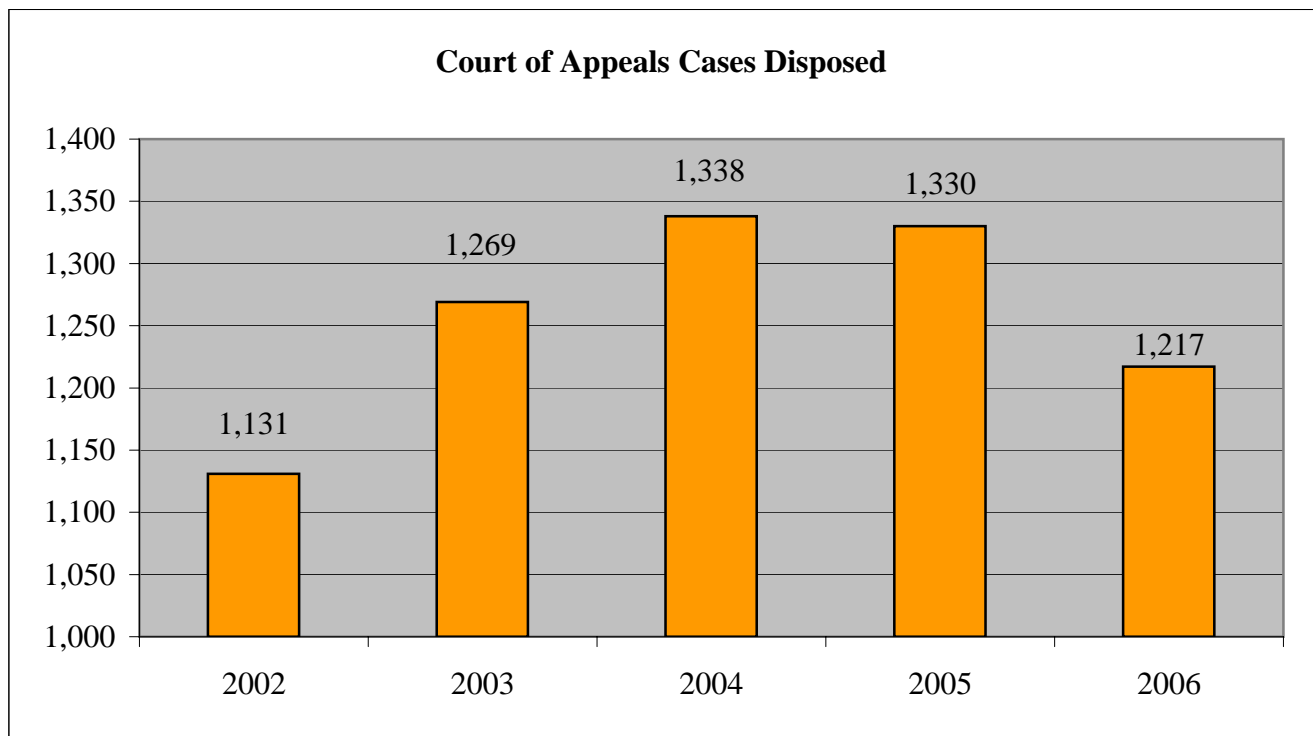
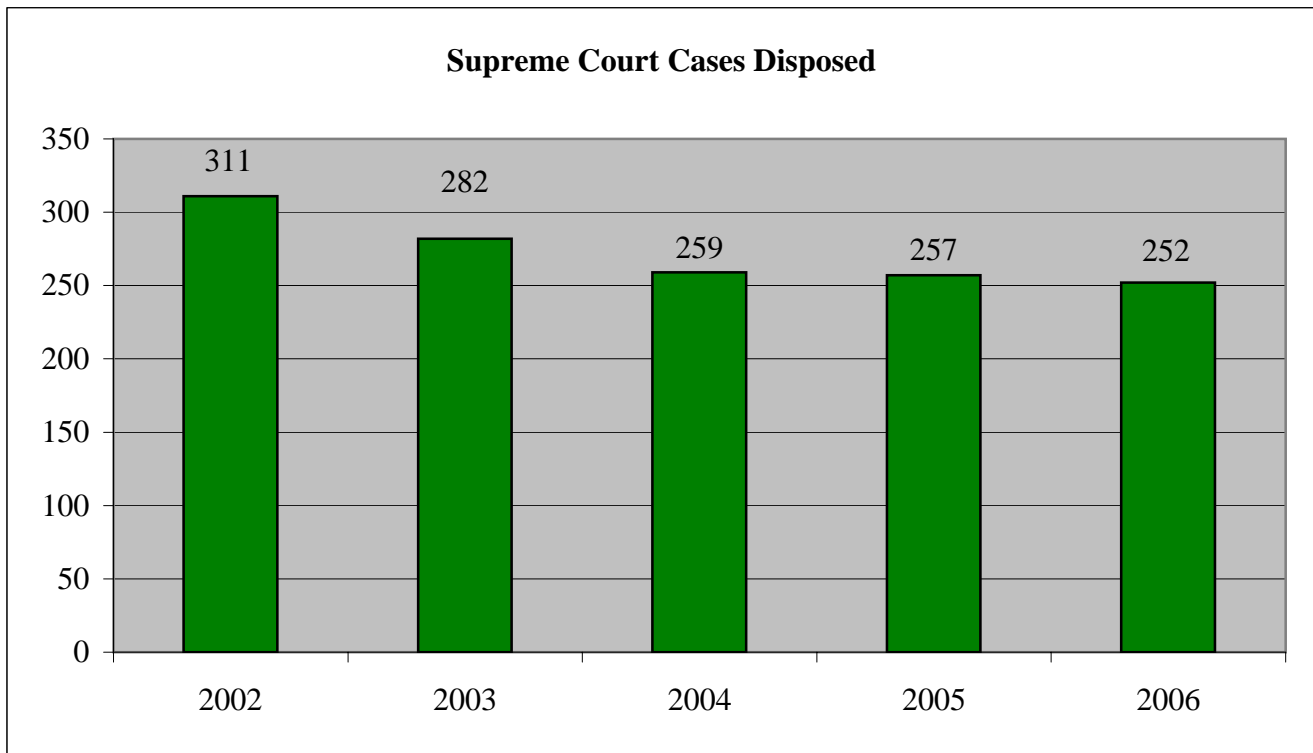
May 10, 2007

NEBRASKA SUPREME COURT

STATISTICAL SECTION

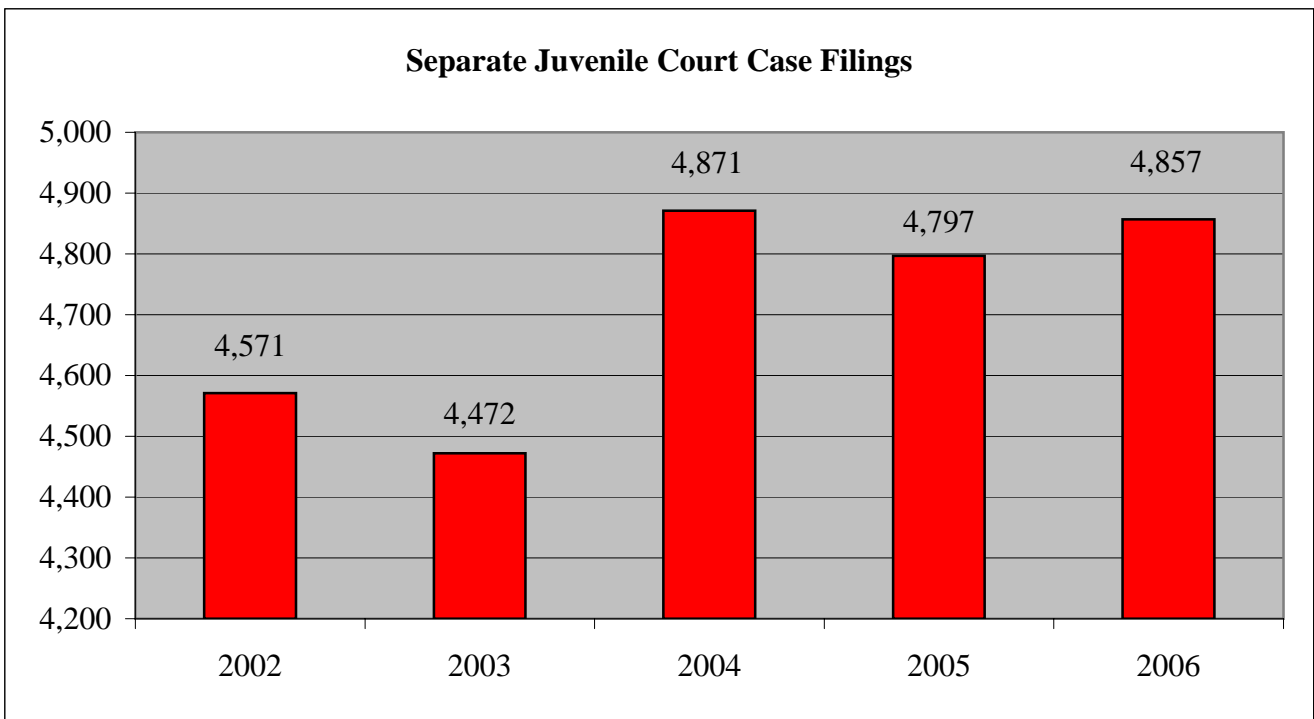
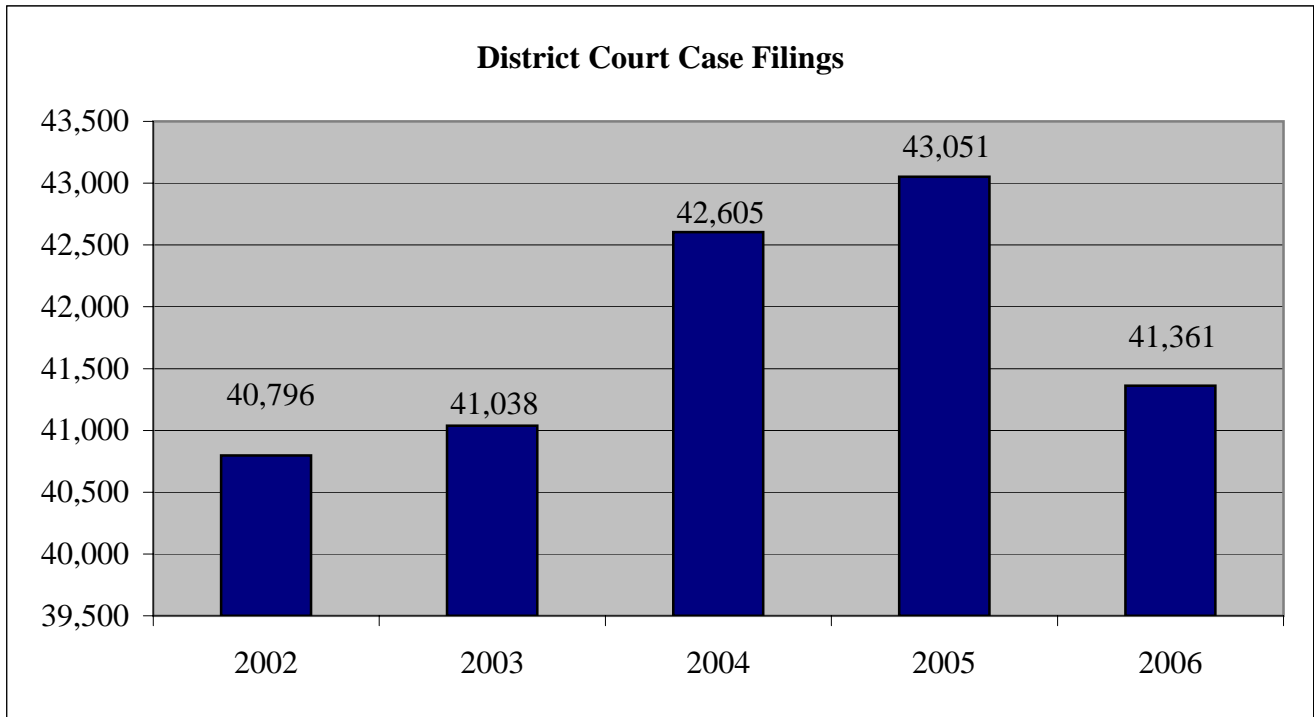
Our examination was conducted for the purpose of forming an opinion on the schedule of revenues, expenditures, and changes in fund balances. Statistical Section information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the schedule of revenues, expenditures, and changes in fund balances, and, accordingly, we express no opinion on it.

NEBRASKA SUPREME COURT
SUPREME COURT AND COURT OF APPEALS CASES DISPOSED
Calendar Years 2002 Through 2006



Source: Annual Caseload Reports for all Nebraska Courts

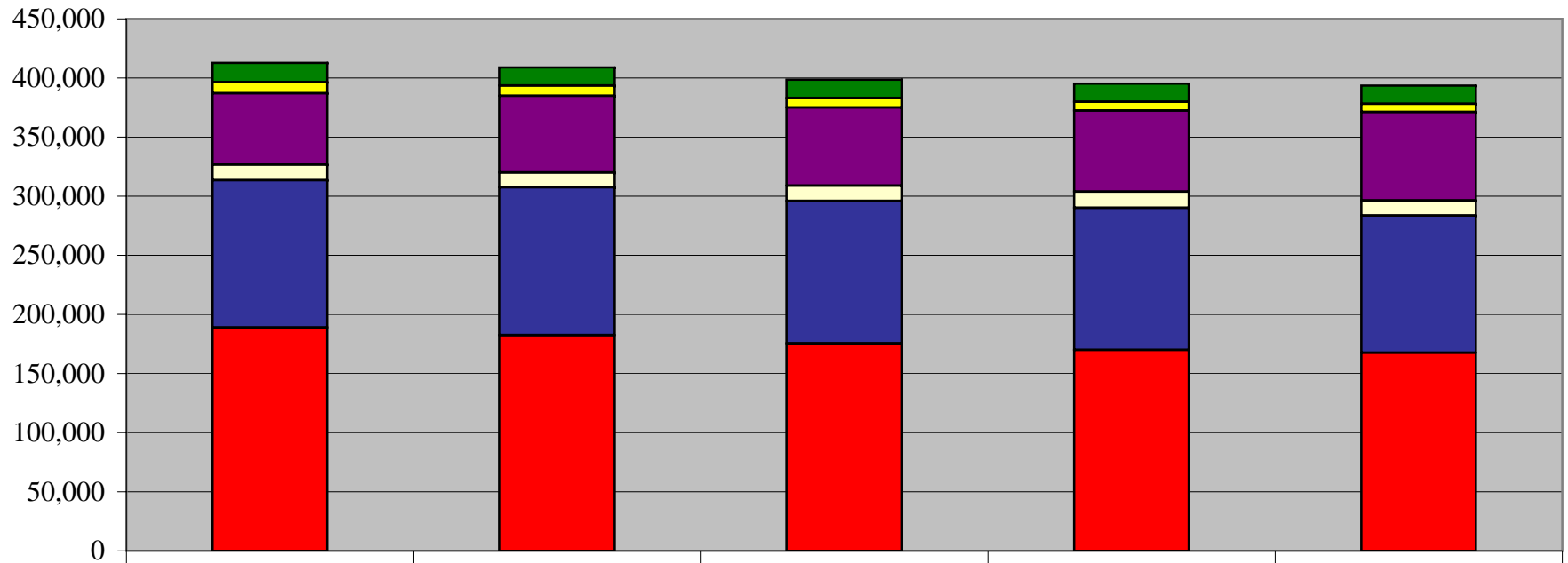
**NEBRASKA SUPREME COURT
DISTRICT COURT AND SEPARATE JUVENILE COURT CASE FILINGS**
Calendar Years 2002 Through 2006



Sarpy, Lancaster, and Douglas counties have established Separate Juvenile Courts from the County Courts.

Source: Annual Caseload Reports for all Nebraska Courts

**NEBRASKA SUPREME COURT
COUNTY COURT CASE FILINGS**
Calendar Years 2002 Through 2006

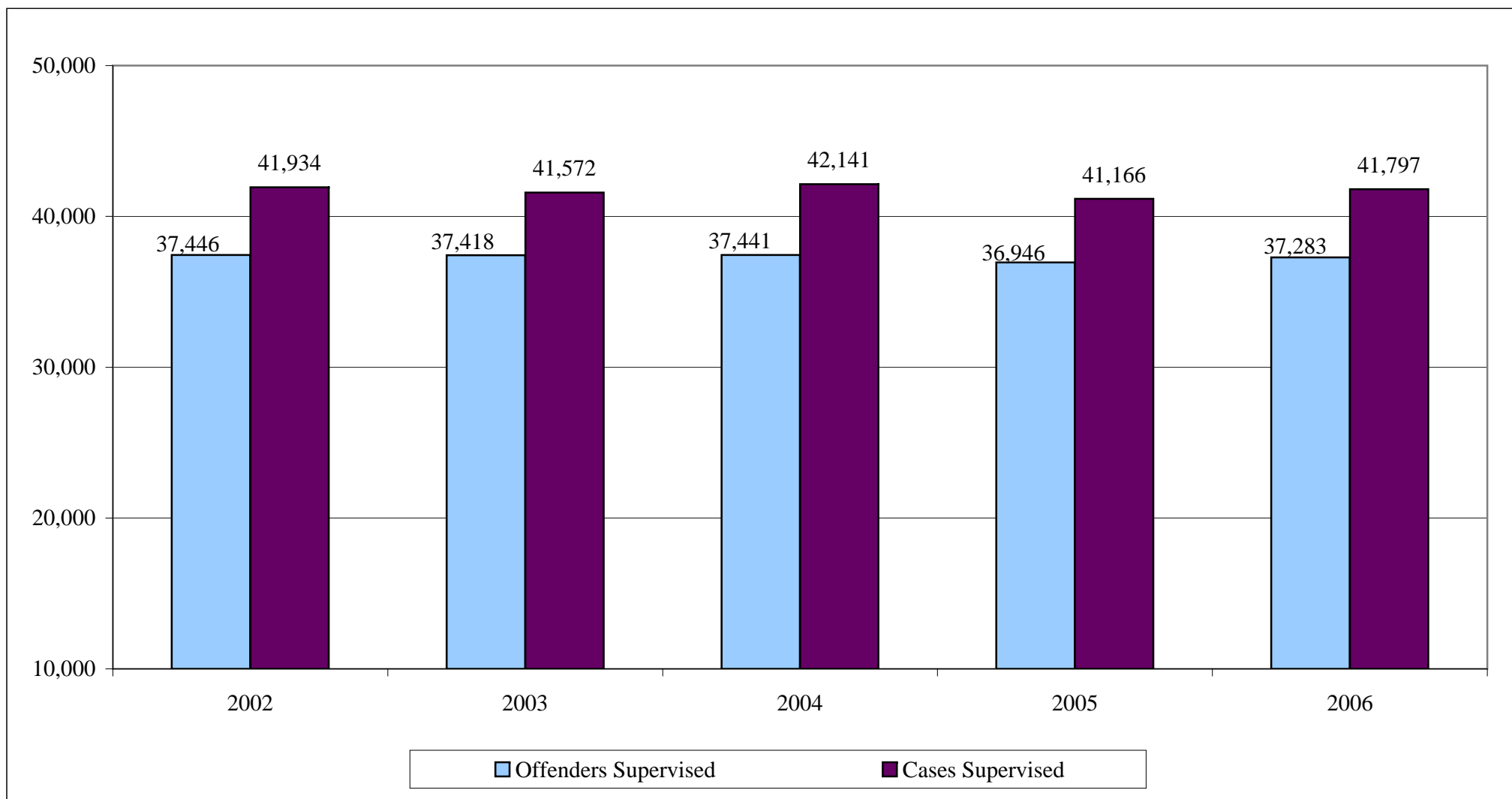


■ Other	16,201	15,416	15,817	15,522	15,543
■ Small Claims	9,523	8,677	7,927	7,339	6,857
■ Civil	60,214	64,685	66,109	68,659	74,655
■ Felony	13,354	12,696	12,820	13,504	12,903
■ Misd/Ord Non-Traffic	124,520	124,819	120,509	120,399	116,093
■ Misd/Ord Traffic	188,839	182,536	175,454	169,851	167,500

Other Filings include Probation/Inheritance Tax; Guardianship/Conservatorship; Adoption; and Juvenile

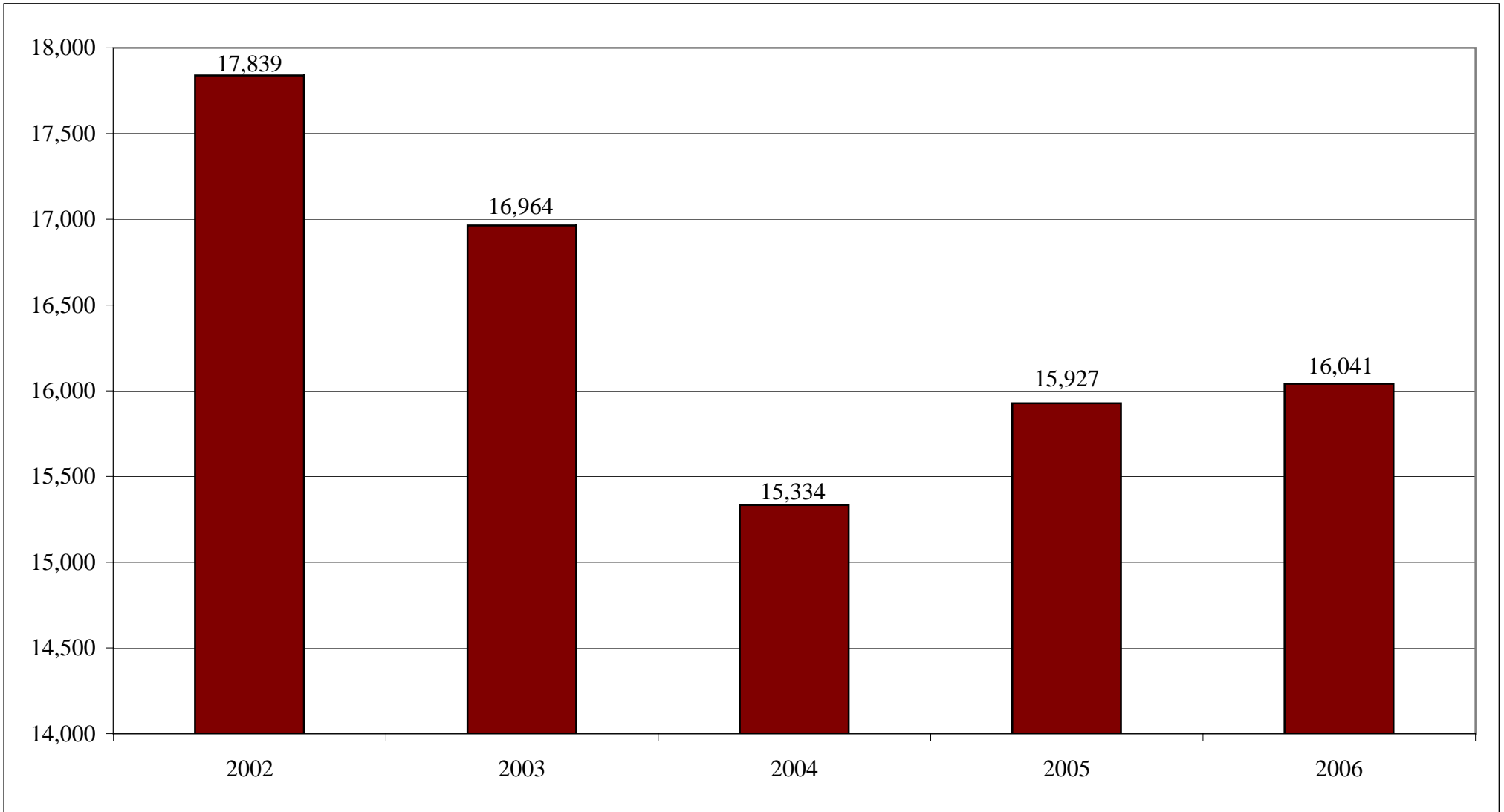
Source: Annual Caseload Reports for all Nebraska Courts

NEBRASKA SUPREME COURT
TOTAL OFFENDERS AND CASES SUPERVISED - PROBATION
Calendar Years 2002 Through 2006



Source: Office of Probation Administration

NEBRASKA SUPREME COURT
INVESTIGATIONS COMPLETED - PROBATION
Calendar Years 2002 Through 2006



Source: Office of Probation Administration