

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JULY 1, 2007 THROUGH JUNE 30, 2008

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Issued on January 7, 2009

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Douglas County Court, we noted certain matters involving the internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the areas as follows:

1. ***Trust Balances:*** Deficiencies were noted in the County Court's handling and/or resolution of trust balances held by the County Court as of June 30, 2008.
2. ***Overdue Balances:*** Of 30 overdue balances tested, 11 did not have action taken to collect and/or otherwise resolve amounts due the County Court.

More detailed information on the above items is provided hereafter. It should be noted that this report is critical in nature as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County Court declined to respond.

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

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Trust Balances

Neb. Rev. Stat. § 29-901 (Cum. Supp. 2006) regarding bail, requires bond deposits, less any applicable bond costs, be returned to defendants upon performance of appearance(s) and fulfillment of bond conditions. The Bail/Bonds Administrative Procedures and Small Claims Procedures Manuals issued by the Office of the State Court Administrator, require small claims appeal bonds be transmitted to the Clerk of the District Court along with small claims appeal transcripts. Lastly, sound accounting practices and good internal control require adequate procedures be in place to ensure timely investment of monies as directed by the County Court Judge. During testing of June 30, 2008, trust balances held by the County Court, the following was noted:

- 19 instances, totaling \$14,089, in which defendant bonds had not been paid out upon decline of prosecution and/or defendant's performance of all required appearances and/or obligations to the County Court. County Court personnel indicated responsibility for initiating return of bonds is largely left up to the defendants.
- One instance in which a defendant had paid in-full a \$69 traffic citation. When the citation was subsequently dismissed, no attempt was made to refund the original payment to the defendant. As previously noted, the County Court largely assigns responsibility for initiating/requesting refunds to the individual defendants.
- 270 Small Claims case balances, totaling \$13,500, all of which consisted of \$50 appeal fees from cases dating as far back as 1999 which had not been remitted to the Clerk of the District Court at the time of appeal transmittal.
- One instance in which \$26,846 received by the County Court in May 2004 in a conservatorship-minor case was, by Court order, to be held in an interest bearing account for the statutory purposes for which the conservatorship was established. As of December 8, 2008, these funds had not been separately invested, with interest earned for the benefit of the conservatorship, but instead remained in the County Court's main bank account. As a result, no interest has accrued to the original \$26,846 case balance. County Court personnel stated investment was not performed due to lack of taxpayer identification number to provide to the financial institution.
- One instance in which a Judge's order required remaining proceeds of \$48,753 in a Special Administration case remain in an interest bearing account with the Clerk of the County Court until further order of the County Court. As of December 8, 2008, these funds had not been separately invested, with interest earned for the benefit of the estate, but instead remained in the County Court's main bank account. As a result, no interest had accrued to the original \$48,753 case balance. County Court personnel stated investment was not performed due to lack of taxpayer identification number to provide to the financial institution.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, or misuse of monies held by the County Court.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

1. **Trust Balances** (Concluded)

These issues were also previously reported in the prior audit.

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

2. **Overdue Balances**

Good internal control and sound business practices require overdue balances of the County Court be reviewed on an ongoing, timely basis to determine what action should be taken to collect and/or otherwise resolve those balances.

Of 30 overdue balances tested, 11, totaled \$2,821, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. As of February 23, 2008, overdue balances, excluding restitution, totaled \$3,536,504. As of December 6, 2008, overdue balances, excluding restitution, totaled \$3,354,171; a decrease of \$182,333, or 5.2% in 9 months. A decrease in the County Court's total overdue balances had similarly been noted in the prior audit.

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

This issue was also previously reported in the prior three audits.

We recommend the County Court continue to work on collecting and/or otherwise resolving, overdue balances.



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DOUGLAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of Douglas County Court as of and for the fiscal year ended June 30, 2008. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, the Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Douglas County Court as of June 30, 2008, and the related activity for the fiscal year then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, on our consideration of Douglas County Court's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, 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 management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies; however, this report is a matter of public record and its distribution is not limited.

Signed Original on File

December 10, 2008

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
ASSETS				
Cash and Deposits	\$ 3,419,782	\$ 18,714,592	\$ 19,197,367	\$ 2,937,007
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 64,951	\$ 2,480,100	\$ 2,454,167	\$ 90,884
Law Enforcement Fees	1,790	167,368	165,827	3,331
State Judges Retirement Fund	6,854	725,186	718,052	13,988
Court Administrative Fees	12,269	1,211,758	1,202,322	21,705
Legal Services Fees	8,586	804,207	795,169	17,624
Due to County Treasurer:				
Regular Fines	50,848	3,847,667	3,810,396	88,119
Overload Fines	925	91,989	92,739	175
Regular Fees	3,735	278,839	278,293	4,281
Due to Municipalities:				
Regular Fines	19,783	1,583,843	1,575,619	28,007
Regular Fees	9,797	138,521	138,140	10,178
Trust Fund Payable	3,240,244	7,385,114	7,966,643	2,658,715
Total Liabilities	\$ 3,419,782	\$ 18,714,592	\$ 19,197,367	\$ 2,937,007

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2008

1. Criteria

A. Reporting Entity

The Douglas County Court is established by State Statute and is administratively operated through the Court Administrator's Office of the Nebraska Supreme Court, which is part of the State of Nebraska reporting entity. The Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the County Court reflect only the Agency Funds activity of the County Court; the receipts, and their subsequent disbursement to the appropriate entities for which they were collected. The Schedule does not reflect the personal services expenses of the County Court, which are paid by the Nebraska Supreme Court, or the operating expenses, which are paid by Douglas County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions have been prepared, based on the accounting system and procedures prescribed by the Nebraska Supreme Court. Under this system of accounting, fines, fees, and receipts relating to trust funds are shown as additions to assets and as an increase in the related liability when received. Likewise, disbursements are shown as deductions to assets and a decrease in the related liability when a check is written.

2. Deposits and Investments

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2008). Funds are generally consolidated in an interest-bearing checking account; however, the County Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2003) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



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**DOUGLAS COUNTY COURT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN EXAMINATION
OF THE FINANCIAL SCHEDULE PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

We have examined the accompanying Schedule of Douglas County Court as of and for the year ended June 30, 2008, and have issued our report thereon dated December 10, 2008. 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 Douglas County Court's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of the County Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the accounting system and procedures prescribed by the Nebraska Supreme Court such that there is more than a remote likelihood that a misstatement of the entity's Schedule that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the Schedule will not be prevented or detected by the County Court's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas County Court's Schedule is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of Schedule amounts; however, providing an opinion on compliance with those provisions was not an objective of our audit 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 matters that we reported to the management of Douglas County Court in the Comments Section of this report as Comment Number 1 (Trust Balances) and Comment Number 2 (Overdue Balances).

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

Signed Original on File

December 10, 2008

Deann Haeffner, CPA
Assistant Deputy Auditor