

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT
JULY 1, 2009 THROUGH JUNE 30, 2010**

**This document is an official public record of the State of Nebraska, issued by
the Auditor of Public Accounts.**

**Modification of this document may change the accuracy of the original
document and may be prohibited by law.**

Issued on May 6, 2011

DOUGLAS COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<u>Financial Section</u>	
Independent Accountant's Report	5 - 6
Financial Schedule:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2010	7
Notes to Financial Schedule	8
<u>Government Auditing Standards Section</u>	
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 <i>Government Auditing Standards</i>	9 - 10

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 continue to be noted in the County Court's handling and/or resolution of trust balances held at fiscal year end.
2. ***Overdue Balances:*** Of the 30 overdue balances tested, 15 did not have subsequent action taken by the County Court to collect and/or otherwise resolve the amounts owed.
3. ***Non-Interest Bearing Checking Account:*** The County Court's checking account, which had a bank balance of \$2,462,882 at June 30, 2010, is non-interest bearing and incurs monthly service charges.

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

Draft copies of this report were furnished to the County Court to provide them an opportunity to review the report and to respond to the comments and recommendations included in this report. All formal responses received have been incorporated into this report. Responses have been objectively evaluated and recognized, as appropriate, in the report. Responses that indicate corrective action has been taken were not verified at this time, but will be verified in the next examination.

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. 2010) regarding bail, requires statutory refund of bond deposits, less any applicable bond costs, to defendants upon performance of their appearance and full compliance with 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 retained in the County Court, prior to January 1, 2009, bonds were required to be transmitted to the Clerk of the District Court.

During testing of the June 30, 2010, trust balances held by the County Court, the following was noted:

- Four instances, totaling \$1,575, 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 have indicated that responsibility for initiating return of bonds is largely left up to the individual defendants.
- 81 Small Claims case balances, totaling \$4,050, which consisted of \$50 appeal bonds from cases dated 1993 through 2008 which had not been remitted to the Clerk of the District Court at the time of appeal transmittal.
- The County Court continues to remit \$50 Small Claims appeal bonds to the District Court contrary to the change prescribed in the Procedures Manuals. At June 30, 2010, the County Court only had one 2009 \$50 Small Claims case balance on hand.

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

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

County Court's Response: Management concurs that County Court personnel have not consistently initiated the return of bonds to defendants. There is a policy in place through the Administrative Office of the Court and management will implement a policy so that this is better monitored.

We have had dialog with Douglas County District Court and have put into place some procedures in the recent months that should help handle the appeal bonds correctly. We also believe the implementation of the JUSTICE system in District Court will help in monitoring and tracking this information.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

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.

During testing of 30 overdue balances, 15 totaling \$5,178 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, suspensions, orders to show cause, or declarations of certain overdue balances as uncollectible. As of April 17, 2010, overdue balances, excluding restitution, totaled \$3,284,629. As of April 9, 2011, overdue balances, excluding restitution, had decreased slightly from the previous year to a total of \$3,260,133. A decrease in the County Court's total overdue balances has also been noted in the prior three audits and/or exams.

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 reported in the prior five audits and/or examinations.

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

County Court's Response: Management and staff will continue to work on the overdue case balances. Management is pleased that the overdue balances decreased \$24,496 and have decreased by almost \$640,000 since November 2006.

3. Non-Interest Bearing Checking Account

The Court Accounting System Administrative Procedures Manual issued May 13, 2008, by the Office of the State Court Administrator, regarding County Court bank accounts, states that Court bank accounts should 1) earn the highest interest possible, 2) have the least restrictions, and 3) incur no service charges. Good internal control and sound business practices also require funds, whenever possible, be deposited into interest bearing accounts in order to maximize returns on deposited funds.

The County Court's checking account had a bank balance of \$2,462,882 on June 30, 2010. We noted the account did not earn interest. Additionally, during the fiscal year ended June 30, 2010, a total of \$19,017 in service charges were assessed to the account. Despite the County Court being advised to address this situation at the time of their prior examination in April 2010 it appears no resolution has been reached by the County Court as the bank account currently remains non-interest bearing and continues to incur significant service charges.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Non-Interest Bearing Checking Account** (Concluded)

We recommend the County Court immediately review its current banking arrangements and take whatever actions, as may be necessary, to ensure all funds are deposited in the most economical, advantageous method available.

County Court's Response: Management and accounting personnel will meet in the very near future with our current banking representatives to address the issues brought forth in the audit to assure we comply by the Court Accounting System Administrative Procedures Manual.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

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, 2010. The County Court's management is responsible for the Schedule. Our responsibility is to express an opinion based on our examination.

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

In our opinion, the Schedule referred to above presents, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Douglas County Court as of June 30, 2010, 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 April 12, 2011, on our consideration of Douglas County Court's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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

April 12, 2011

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, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2010</u>
ASSETS				
Cash and Deposits	\$ 4,845,435	\$ 19,709,559	\$ 22,159,213	\$ 2,395,781
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 105,921	\$ 2,411,870	\$ 2,425,851	\$ 91,940
Law Enforcement Fees	4,359	209,842	208,734	5,467
State Judges Retirement Fund	20,178	840,485	841,903	18,760
Court Administrative Fees	27,333	1,385,390	1,381,869	30,854
Legal Services Fees	24,812	853,398	856,976	21,234
Due to County Treasurer:				
Regular Fines	102,801	4,067,478	4,065,277	105,002
Overload Fines	600	83,762	80,412	3,950
Regular Fees	2,571	158,619	156,951	4,239
Due to Municipalities:				
Regular Fines	38,153	1,631,955	1,631,825	38,283
Regular Fees	12,841	144,145	144,971	12,015
Trust Fund Payable	4,505,866	7,922,615	10,364,444	2,064,037
Total Liabilities	<u>\$ 4,845,435</u>	<u>\$ 19,709,559</u>	<u>\$ 22,159,213</u>	<u>\$ 2,395,781</u>

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Fiscal Year Ended June 30, 2010

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 were not deposited and invested in accordance with rules issued by the Supreme Court as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2008). The County Court may order certain trust funds to be invested separately, remaining funds are to be consolidated in an interest-bearing checking account; however, Douglas County Court's checking account was non-interest bearing. See Comment Number 3 (Non-Interest Bearing Checking Account). Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
P.O. Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.state.ne.us

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, 2010, and have issued our report thereon dated April 12, 2011. 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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County Court's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Douglas County Court's financial schedule 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 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 noted certain additional items that we reported to management of Douglas County Court in the Comments Section of this report as Comment Number 1 (Trust Balances), Comment Number 2 (Overdue Balances), and Comment Number 3 (Non-Interest Bearing Checking Account).

The County Court's written response to the findings identified in our examination are described in the Comments Section of the report. We did not examine the County Court's response and, accordingly, we express no opinion on it.

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

April 12, 2011

Deann Haeffner, CPA
Assistant Deputy Auditor