

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JANUARY 1, 2018, THROUGH DECEMBER 31, 2018

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Issued on April 30, 2019

DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Douglas County Court, we noted a certain deficiency and other operational matters that are presented here.

This comment and recommendation is intended to improve the internal control over financial reporting and operational efficiencies in the following area:

Overdue Balances

We found that the County Court failed to take appropriate action on 19 of the 30 overdue balances tested, totaling \$4,175. Appropriate follow-up action would ensure the collection and/or resolution of the balances and would include the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. As of April 7, 2018, overdue balances, excluding restitution judgments, were \$2,025,151. As of March 30, 2019, overdue balances, excluding restitution judgments, totaled \$2,077,026, an increase of \$51,875, or 3%.

Additionally, we noted the following issues:

- Civil case 11-24183 contained an outstanding balance of \$4; however, a satisfaction of judgment had been filed in May 2012. Since the transaction was not properly entered into the accounting system, it improperly remained an overdue balance.
- Civil case 17-19482 indicated judgment costs were ordered on November 7, 2018, against a garnishee totaling \$5,244; however, the court failed to enter the order into the accounting system, so it did not appear as an overdue balance.

Good internal control and sound business practices require overdue balances of the County Court to be reviewed on an ongoing, timely basis to determine the proper follow-up procedures necessary to collect and/or otherwise resolve those balances. Furthermore, good internal control and sound business practice require all court orders to be entered both timely and accurately.

Without a regular review of overdue case balances, there is an increased risk the County Court will fail to take proper follow-up action or will fail to properly reflect an accurate list of balances.

We recommend the County Court implement a regular review of its Overdue Case Account reports to ensure the timely collection and/or resolution of overdue balances. We further recommend the County Court implement procedures to ensure all court orders are entered into the system timely and accurately.

County Court's Response: The Court does not disagree with the findings in this report and embraces the importance of taking appropriate action when looking at overdue balances. However, this finding is not without mitigating circumstances. Mitigating circumstances that do not dismiss our core responsibility, rather they provide additional insight.

The Finance Division Manager is responsible for oversight of both the accounting clerks, cashier supervisor, and the cashiers. From April 7, 2018 to March 30, 2019, the court lost 30% of its accounting staff, some who were tasked to work this particular report. At the same time, the Court lost 75% of its cashiering staff. All of these positions had to be filled and the training of the staff had to take

DOUGLAS COUNTY COURT

COMMENT AND RECOMMENDATION

(Concluded)

place. Normally, the training would be balanced between the Division Manager and the Cashier Supervisor. However, during the same time period, the Supervisor was absent from work for 447.5 hours, or over 11 weeks. This shifted the training responsibility, of both accounting clerks and cashiers, 100% to the Division Manager. During this same time, the cashiers and accounting staff were displaced, due to construction. The displacement separated the group, thus creating challenges for effective oversight, reducing multitasking opportunities.

As the staff continues to work the reports from current date, back, I am optimistic that if we can stop the turnover, proper oversight will return. As that occurs, we will be able to revisit the 1996-2015 cases that were sampled. The Court recently filled key supervisory positions. In addition, approval of a slight reorganization has allowed us to create an additional degree of separation, enabling the Division Manager more flexibility, balancing oversight, reporting, and training new staff. To date, the Accounting Division has already printed out the report, converted it to an Excel document, and collectively will move forward. While the Court recognizes that we have work ahead of us, we share that efforts to date have reduced this report from over 1200 pages to a little over 400 pages in a matter of a few years. We look forward to additional progress.

Again, the Court embraces the feedback from this audit and is committed to continue to improve.

It should be noted this report is critical in nature as it contains only our comment and recommendation on the area noted for improvement and does not include our observations on any accounting strengths of the County Court.

Draft copies of this report were furnished to the County Court to provide management with an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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DOUGLAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Douglas County Court
Omaha, Nebraska 68183

We have examined the accompanying Schedule of Changes in Assets and Liabilities Arising from Cash Transactions of the Douglas County Court as of and for the calendar year ending December 31, 2018. The County Court's management is responsible for the Schedule based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we perform the examination to obtain reasonable assurance about whether the Schedule is based on the accounting system and procedures set forth in Note 1, in all material respects. An examination involves performing procedures to obtain evidence about the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar year ending December 31, 2018, is based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. We performed our examination to express an opinion on whether the Schedule is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedule or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

The purpose of this report is to express an opinion on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. Janssen", with a long horizontal flourish extending to the right.

April 22, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2018

	<u>Balance</u>			<u>Balance</u>
	<u>January 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>December 31, 2018</u>
ASSETS				
Cash and Deposits	\$ 3,254,721	\$ 18,602,801	\$ 19,809,807	\$ 2,047,715
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 75,570	\$ 1,975,280	\$ 1,970,108	\$ 80,742
Law Enforcement Fees	2,495	183,506	183,251	2,750
State Judges Retirement Fund	12,596	938,053	934,942	15,707
Court Administrative Fees	16,764	1,064,275	1,063,352	17,687
Legal Services Fees	10,327	734,788	732,324	12,791
Due to County Treasurer:				
Regular Fines	49,703	2,993,249	2,998,243	44,709
Overload Fines	2,675	77,924	80,599	-
Regular Fees	1,835	245,606	243,285	4,156
Petty Cash Fund	3,535	-	-	3,535
Due to Municipalities:				
Regular Fines	11,098	788,554	787,480	12,172
Regular Fees	8,947	124,049	123,308	9,688
Trust Fund Payable	3,059,176	9,477,517	10,692,915	1,843,778
Total Liabilities	<u>\$ 3,254,721</u>	<u>\$ 18,602,801</u>	<u>\$ 19,809,807</u>	<u>\$ 2,047,715</u>

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULE
For the Calendar Year Ending December 31, 2018

1. Criteria

A. Reporting Entity

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

B. Basis of Accounting

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

2. Deposits and Investments

Funds held by the County Court are deposited and invested in accordance with rules issued by the Supreme Court, as directed by Neb. Rev. Stat. § 25-2713 (Reissue 2016). Funds are generally consolidated in an interest-bearing checking account; however, the County Court may order certain trust funds to be invested separately. Any deposits in excess of the amount insured by the Federal Deposit Insurance Corporation are required by Neb. Rev. Stat. § 77-2326.04 (Reissue 2018) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.