

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JANUARY 1, 2020, THROUGH DECEMBER 31, 2020

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Issued on May 19, 2021

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. The following comment is required to be reported in accordance with *Government Auditing Standards* and is considered to be a significant deficiency.

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

Segregation of Duties

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and provide reliable financial records. A system of internal control should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted that the office of the County Court lacked a sufficient segregation of duties, as one person was capable of handling all aspects of processing transactions from beginning to end. A lack of segregation of duties increases the risk of possible errors or irregularities. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We consider this to be a significant deficiency.

We recommend the County Court and the Nebraska State Court Administrator review this situation and develop procedures to ensure that one person is not able to handle all aspects of processing a transaction from beginning to end.

County Court's Response: The court continues to appreciate the findings of the auditors. Over the years, Douglas County Court embraced the findings and adopted the auditors suggestions. In 2017, an audit was conducted and at that time, the court lacked proper safeguards in the area of segregation of duties. The court embraced this and 100% agreed with the findings. Through extensive conversations during the onsite audit, the court was guided in a direction that put emphasis on not who was "capable", rather who was performing the function. The focus was to mitigate risk of theft and impropriety. The court modified its practices in accordance with the 2017 findings. As a result, in 2018, 2019 & 2020, segregation of duties was not an audit finding or "significant deficiency". To date, our policies and practices remain the same. However, the threshold of what is "possible" versus what someone is "capable of" appears to have changed. In examining our safeguards, we look at this and apply a two prong test. First, the likelihood of errors, irregularities, or theft occurring because of lax or inconsistent procedures and, second, the likelihood of discovery of these items. Safeguards and procedures are in place to discourage, detect, and identify theft. In addition, the court has two outside financial analysts that review transactions. That said, the court will continue to strive to better the operations of the court, safeguarding the handling of funds entrusted to it.

APA Response: The attestation reviewed procedures for the period of January 1, 2020, through December 31, 2020, during which time two individuals had access to perform all functions of a transaction from beginning to end. Regardless of what was done in the past, the procedures during the review period did not support an adequate segregation of duties. Reports were available for review of at risk transactions; however, these reports were reviewed by the same individuals who had access to perform these transactions. When an individual is able to perform all phases of a transaction without the involvement of a second individual, or a review of reports by an individual without access to perform the procedures, there are not adequate safeguards in place to detect improper activity.

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, 2020. 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, 2020, 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 Schedules are presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control over the Schedules or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed a certain finding that is required to be reported under *Government Auditing Standards*, and that finding, along with the views of management, is described in the Comment Section of the report.

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. J. Janssen", with a long horizontal flourish extending to the right.

May 14, 2021

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, 2020

	Balance January 1, 2020	Additions	Deductions	Balance December 31, 2020
ASSETS				
Cash and Deposits	\$ 2,128,795	\$ 18,133,236	\$ 18,050,613	\$ 2,211,418
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 95,151	\$ 1,729,456	\$ 1,764,760	\$ 59,847
Law Enforcement Fees	4,159	136,101	139,282	978
State Judges Retirement Fund	20,601	731,559	746,230	5,930
Court Administrative Fees	22,052	873,252	889,280	6,024
Legal Services Fees	16,680	563,079	574,946	4,813
Due to County Treasurer:				
Regular Fines	46,085	2,155,654	2,181,992	19,747
Overload Fines	150	30,593	30,693	50
Regular Fees	5,527	199,396	204,489	434
Petty Cash Fund	3,535	-	-	3,535
Municipality Fines	10,296	632,562	635,407	7,451
Due to Municipalities:				
Regular Fees	9,385	104,058	107,569	5,874
Trust Fund Payable	1,895,174	10,977,526	10,775,965	2,096,735
Total Liabilities	\$ 2,128,795	\$ 18,133,236	\$ 18,050,613	\$ 2,211,418

The accompanying notes are an integral part of the schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Calendar Year Ending December 31, 2020

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.