

**ATTESTATION REPORT  
OF  
DOUGLAS COUNTY COURT**

**JANUARY 1, 2022, THROUGH DECEMBER 31, 2022**

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**Issued on July 12, 2023**

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### **Audit Staff Working On This Examination**

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DOUGLAS COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<b><u>Comments Section</u></b>	
Summary of Comments	1
Comments and Recommendations	2 - 5
<b><u>Financial Section</u></b>	
Independent Accountant's Report	6 - 7
Financial Schedule:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2022	8
Notes to Financial Schedule	9

## DOUGLAS COUNTY COURT

### SUMMARY OF COMMENTS

During our examination of Douglas County Court, we noted certain deficiencies and other operational matters that are presented here. The following comment is required to be reported in accordance with *Government Auditing Standards*: Comment #1, "Segregation of Duties," which is considered to be a material weakness.

These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

1. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Unclaimed Property:*** Contrary to State statute, the County Court did not report and remit to the State Treasurer trust balances that were over three years old.
3. ***Overdue Balances:*** The County Court did not review its overdue balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
4. ***Monthly Case Balances:*** The County Court did not review its Monthly Case Balance report on an ongoing, timely basis to ensure appropriate follow-up action was taken.
5. ***Insufficient Pledged Collateral:*** The County Court lacked sufficient collateral to cover fully deposits throughout the calendar year.

More detailed information on the above items is provided hereinafter. 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 management with 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 they will be verified in the next examination.

## DOUGLAS COUNTY COURT

### COMMENTS AND RECOMMENDATIONS

#### 1. 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. Specifically, one person was capable of handling all aspects of processing transactions from beginning to end. Additionally, staff could create and issue orders affixed with the Judge's signature in the JUSTICE (Judicial User System to Improve Court Efficiency) application without formal documentation to support that the Judge approved the order. That same staff had access to court receipts and were able to record non-monetary transactions (e.g., waiving fines) in JUSTICE. We further noted that one former employee still had access to Douglas County Court after termination.

A lack of segregation of duties increases the risk of possible errors or irregularities; however, due to a limited number of personnel, an adequate segregation of duties may not be possible without additional cost. Further, personnel are under the direction of both the Nebraska State Court Administrator and the Presiding Judge. We have noted this comment in previous examinations.

We recommend the County Court and the Nebraska State Court Administrator review this situation. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. We also recommend the Supreme Court implement procedures to ensure that each Judge's approval of orders is formally documented. Lastly, we recommend the removal of County Court system access upon employee termination.

*County Court's Response: The Administrative Office of the Courts and Probation (AOCP) understands that there is a risk related to the ability of someone other than the judge applying the judge's signature to an order within the DOCKET subsystem of JUSTICE, the court's case management system. This level of access is granted only to employees who work directly with the judges in and outside of the courtroom and only with the judge's approval and oversight. This electronic signature process is put into place to digitize and streamline the court process. The AOCP has determined no further action will be taken at this time, based on an evaluation of the level of risk, current IT priorities and resources, and a review of compensating controls and practices.*

*The Administrative Office of the courts and Probation (AOCP) accepts that there is a risk from one person having the authority to initiate and complete financial transactions. To reduce the risk of improper transactions, court financial specialists review court records and provide assistance to county courts if there are discrepancies. However, the Judicial Branch does not have the financial and human resources to mitigate all risks related to segregation of duties sufficient to meet the current audit guidelines. As a result, in order to fulfill all statutory obligations, the AOCP has determined that all clerk magistrates will have the authority to operate all financial functions of a court.*

#### 2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Cum. Supp. 2022), requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

During the audit, it was noted that, at a minimum, 22 receipts, totaling \$26,533, were outstanding for over three years; consequently, they were past due for remittance to the Unclaimed Property division of the State Treasurer. This amount consisted only of receipts currently coded to be paid to Unclaimed Property. In 2022, however, the County Court did not send any funds to the State Treasurer as property presumed abandoned.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Unclaimed Property** (Concluded)

We recommend the County Court work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

*County Court's Response: The court did not process unclaimed property in 2022 due to a single email being missed. The court understands the importance of remitting funds to unclaimed property and will process 2023 unclaimed property properly.*

3. **Overdue Balances**

The County Court took no action, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, to ensure the collection and/or resolution of 4 of 25 overdue balances tested, totaling \$914.

We noted the following:

- For two criminal cases tested, with overdue balances totaling \$702, the defendants had sat out time in jail in January 2022 and January 2023; however, the County Court failed to follow up on any return warrants until after inquiry by the Auditor of Public Accounts (APA) in May 2023. Subsequently, the County Court waived the outstanding fees.
- For one criminal case tested, with an overdue balance totaling \$182, the defendant was on probation until his arrest in September 2022; however, the County Court failed to follow up on the release from probation until after inquiry by the APA in May 2023. Subsequently, the County Court waived the outstanding fees.
- For one criminal case tested, with an overdue balance totaling \$30, no action had been taken since 2005. After inquiry by the APA in May 2023, the County Court filed an order to waive the fees.

The County Court has several outstanding balances for non-waivable \$1 and \$4 court costs. As of February 28, 2023, there were 4,557 cases with a \$1 balance due, totaling \$4,557, and 3,326 cases with a \$4 balance due, totaling \$13,304. All of the \$4,557 is due for cases dating back to 2003 and older, with some as old as 1993. All of the \$13,304 is due for cases dating back to 2003 and older.

As of February 28, 2023, overdue balances, excluding restitution judgments, totaled \$1,437,974.

Good internal control and sound business practices require the County Court to implement an ongoing, timely review of its Overdue Case Account reports to determine what action should be taken to collect or otherwise resolve the overdue balances listed therein.

Without such periodic reviews, there is an increased risk of overdue balances either lacking proper follow-up action or having been previously resolved and no longer needing to be designated as overdue.

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account reports to ensure timely collection and/or resolution of overdue balances, including a determination regarding the appropriate action for cases with balances due for several years, especially those over 25 years old.

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Overdue Balances** (Concluded)

*County Court's Response:*

- *The court will be sure to continue working reports in a timely fashion to prevent any cases from getting missed when warrants are returned.*
- *The court will be sure to continue working reports in a timely fashion to prevent any cases from getting missed when warrants are returned.*
- *Since the last attestation, the court has worked to process hundreds of orders to address the \$30 probation administration fee. This is an ongoing effort by staff.*

*The non-waiverable costs are associated with cases from 2003 or older and some as old as 1993. Due to the aged nature of the cases, it is unreasonable to expect the court to attempt to collect monies from over 20 years ago.*

4. **Monthly Case Balances**

During testing of 25 balances on the Monthly Case Balance Report, we noted that the Court failed to take adequate action to ensure the proper and timely resolution of three of those balances, totaling \$6,026, as follows:

- For one criminal case tested, a \$5,000 bond was received in September 2000; however, no follow-up on the case has occurred.
- For one criminal case tested, a \$900 bond was received in August 2021; however, it was noted that the case was dismissed in September 2021 because the wrong person was cited. The County Court had not performed any follow-up procedures on this bond held.
- For one criminal case tested, a \$126 overpayment was received in September 2022; however, no refund was issued until after inquiry by the APA in May 2023.

Additionally, for one criminal case noted on the Monthly Case Balance Report, the County Court applied a bond held to \$4 of costs without an order of the Court.

Good internal controls and sound business practices require an an ongoing, timely review of the Monthly Case Balance Report to determine the appropriate follow-up action for resolving the balances listed therein.

Without such procedures, there is an increased risk that funds received by the County Court will not be paid to the appropriate recipients in a timely manner.

We recommend the County Court implement procedures to ensure that the Monthly Case Balance Report is reviewed in a timely manner to ensure appropriate follow-up action is taken.

*County Court's Response:*

- *The \$5,000.00 bond is an appeal bond on this case. This case has had a bench warrant for failing to appear since 2001. The court intends on following up with the Presiding Judge in regards to this case.*

DOUGLAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. **Monthly Case Balances** (Concluded)

- *The court has since adjusted this money to unclaimed property since it is unknown who paid the bond.*
- *This was a clerical error; the money should have been refunded prior to inquiry by the APA.*

5. **Insufficient Pledged Collateral**

The County Court lacked adequate pledged collateral to cover fully deposits held for 118 days during the calendar year. Unsecured amounts during that period ranged from \$1,739 to \$589,776.

Neb. Rev. Stat. § 77-2395(1) (Cum. Supp. 2022) states the following:

*If a bank, capital stock financial institution, or qualifying mutual financial institution designated as a depository provides a deposit guaranty bond or furnishes securities or any combination thereof, pursuant to section 77-2389, the custodial official shall not have on deposit in such depository any public money or public funds in excess of the amount insured or guaranteed by the Federal Deposit Insurance Corporation, unless and until the depository has provided a deposit guaranty bond or furnished securities, or any combination thereof, to the custodial official, and the total value of such deposit guaranty bond and the market value of such securities are in an amount not less than one hundred two percent of the amount on deposit which is in excess of the amount so insured or guaranteed.*

Good internal control and sound business practice require procedures to ensure that all deposits held by the County Court are covered fully by the Federal Deposit Insurance Corporation (FDIC) or additional securities in compliance with State statute.

Without such procedures, the County Court is at an increased risk of not only noncompliance with State statute but also the loss of public funds.

We recommend the County Court implement procedures to ensure all deposits are covered fully by the FDIC or additional securities in compliance with State statute.

*County Court's Response: The court has worked with our financial institution to get additional securities. The financial institution also increased our pledged collateral to cover our operating account. The court has since opened Insured Cash Sweep (ICS) accounts with our financial institution for all open investment accounts held by the court. The court has also implemented daily procedures to check balances to ensure funds are covered. The court understands the importance of making sure all funds are properly covered and in compliance with State statute.*





## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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, 2022. The County Court's management is responsible for the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

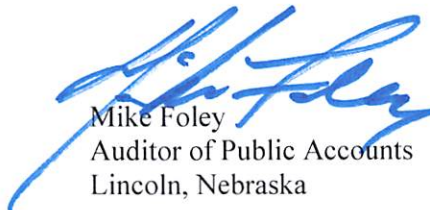
In our opinion, the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar year ending December 31, 2022, is based on the accounting system and procedures prescribed by the Nebraska Supreme Court, as set forth in Note 1, in all material respects.

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; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to 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. 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 Comments 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.

July 6, 2023



Mike Foley  
Auditor of Public Accounts  
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2022

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
<b>ASSETS</b>				
Cash and Deposits	\$ 2,396,192	\$ 23,225,510	\$ 20,641,909	\$ 4,979,793
<b>LIABILITIES</b>				
Due to State Treasurer:				
Regular Fees	\$ 52,207	\$ 1,689,100	\$ 1,683,571	\$ 57,736
Law Enforcement Fees	823	122,105	120,919	2,009
State Judges Retirement Fund	6,713	827,321	820,262	13,772
Court Administrative Fees	6,264	765,689	758,761	13,192
Legal Services Fees	4,322	512,259	509,599	6,982
Due to County Treasurer:				
Regular Fines	13,449	1,973,785	1,961,696	25,538
Overload Fines	-	39,001	38,575	426
Regular Fees	771	246,911	235,870	11,812
Petty Cash Fund	3,535	-	-	3,535
Municipality Fines	6,061	562,953	561,435	7,579
Due to Municipalities:				
Regular Fees	6,034	70,341	69,997	6,378
Trust Fund Payable	2,296,013	16,416,045	13,881,224	4,830,834
<b>Total Liabilities</b>	<b>\$ 2,396,192</b>	<b>\$ 23,225,510</b>	<b>\$ 20,641,909</b>	<b>\$ 4,979,793</b>

The accompanying notes are an integral part of the Schedule.

DOUGLAS COUNTY COURT  
**NOTES TO FINANCIAL SCHEDULES**  
For the Calendar Year Ending December 31, 2022

**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 Custodial 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 Custodial Funds are maintained, and the Schedule of Changes in Assets and Liabilities Arising from Cash Transactions has 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.