

**ATTESTATION REPORT
OF
DOUGLAS COUNTY COURT**

JANUARY 1, 2023, THROUGH DECEMBER 31, 2023

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Issued on April 30, 2024

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DOUGLAS COUNTY COURT

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DOUGLAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Douglas County Court, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #2 (“Overdue Balances”), which is considered to be a significant deficiency, and 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. ***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.
3. ***Monthly Case Balances:*** The County Court did not review its monthly Case Balance Report on an ongoing, timely basis to ensure there was sufficient documentation supporting such balances.

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.

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 is not 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 issue 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.

County Court Response: 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 the court. That said, the court will continue to strive to better the operations of the court, safeguarding the handling of funds entrusted to it.

The Court would also like to note that the Administrative Office of the Courts and Probation (AOCP) has provided an Authority to Affix Judges' Signature(s) in Docket form. A signed copy is on file in Douglas County Court.

2. Overdue Balances

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

During testing, we noted that 11 overdue balances, totaling \$8,366, did not have timely subsequent action taken by the County Court, such as the issuance of non-monetary receipts, issuance of warrants, and/or suspensions or declaration of certain overdue balances as uncollectible, to ensure collection and/or resolution of the balances.

We noted the following:

- One case showed a \$6,539 balance owed by the garnishee; however, the judgment was vacated in September 2023, so no balance should have been due.
- Two criminal cases tested had overdue balances consisting of interstate probation fees totaling \$1,020. The probation term had been completed in October 2022 for one case and August 2023 for the second case; however, the County Court had not completed any follow-up action on those balances at the time of fieldwork in March 2024.

DOUGLAS COUNTY COURT
COMMENTS AND RECOMMENDATIONS
(Continued)

2. **Overdue Balances** (Concluded)

- Two criminal cases tested had balances due consisting of probation fees, totaling \$420, that were not waived in a timely manner. The costs were ordered uncollectible in October 2022 and November 2023; however, the costs were not waived until October 2023 and February 2024, respectively.
- One criminal case tested had an overdue balance of \$152 that was sat out in jail in July 2023; however, this balance was not waived until March 2024.
- One criminal case tested had an order extending probation issued in January 2024; however, the associated probation fees, totaling \$150, were not assessed on the case until after inquiry during the attestation.
- One criminal case tested had an overdue balance of \$25 related to a subpoena issued in June 2023. A notice was sent in October 2023 requesting payment for this balance; however, no follow-up action had been taken until inquiry during the attestation in March 2024. This balance was subsequently waived.
- One case had a balance due from the City of Omaha totaling \$49 since October 2023, and the claim had not been submitted to the City as of fieldwork in March 2024.
- Two criminal cases tested had overdue balances consisting of copy fees, totaling \$11, assessed in September and October 2023; however, the County Court had not completed any follow-up action on those balances at the time of fieldwork in March 2024.

The County Court has several outstanding balances for non-waivable \$1 and \$4 court costs. As of January 31, 2024, there were 4,655 cases with a \$1 balance due, totaling \$4,655, and 3,329 cases with a \$4 balance due, totaling \$13,316. The majority of the \$13,316 is due for cases dating back to 2003 and older.

As of January 31, 2024, overdue balances, excluding restitution judgments, totaled \$1,381,622.

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

We recommend the County Court implement an ongoing, timely review of its Overdue Case Account Reports to ensure the timely collection and/or resolution of overdue balances.

County Court Response [Response is in the same bullet order as the comment above]:

- *This error was an oversight by the Accounting Division Manager who was covering civil accounting duties due to staff shortage. The error has been corrected and the court is actively working to fill this vacancy.*
- *The court will continue working reports in a timely fashion and monitor the interstate probate files monthly to prevent such oversights.*
- *The court will continue working reports in a timely fashion to assure that all uncollectible costs are taken care of as ordered by the judges.*
- *The court will continue to work reports to verify that jail credit is applied accurately to the cases.*
- *The court will diligently work to ensure Record Clerks/Cashiers possess the knowledge needed to process extended probation files correctly.*
- *The court will be sure to continue working reports to address errors and overdue balances in a timely manner.*

DOUGLAS COUNTY COURT
COMMENTS AND RECOMMENDATIONS
(Concluded)

- *The court will continue working reports in a timely manner to prevent any Orders filed by the judge being overlooked when updating cases.*
- *Due to non-payment, the requestor did not receive the copies. The court will continue working the overdue reports in a timely fashion to prevent overdue balances on cases.*

The court is aware of the \$1 and \$4 outstanding balances on cases from 2003 or older. Court administration will work with the judges and the Administrative Office of the Courts and Probation to address these cases.

3. Monthly Case Balances

Good internal control and sound business practices require the County Court to implement procedures to ensure all balances held by the Court are adequately reviewed, and follow-up action is taken in a timely manner.

During testing of 10 monthly case balances, we noted the following for 3 of those balances:

- One balance, for \$13,500, was for a bond received. A warrant was issued in January 2022, and there has been no other activity or follow up on the case to determine if the bond should be forfeited.
- One balance for \$2,250 was to be applied to fines and costs of \$1,095 in December 2023. Instead, the County Court refunded the full amount of the bond in February 2024. The defendant did then pay the full amount due after the bond was refunded; however, the County Court did not follow the procedures of the order.
- One balance for \$995 was for two judgment checks that had been remitted by the defendant and paid to plaintiff but were uncashed, and therefore were subsequently adjusted to be remitted to the State Treasurer as Unclaimed Property. Upon this adjustment, the County Court failed to re-record the original payments accurately, so the case shows the defendant has not made any payments, instead of receiving a credit for the \$995 previously paid.

As of December 29, 2023, monthly case balances totaled \$3,271,571.

Without a regular review of the Monthly Case Balance Reports, there is an increased risk that monthly case balances may not be either correct or current.

We recommend the County Court implement procedures to ensure that documentation is on file for proper review and disbursement of balances on the Monthly Case Balance Report.

County Court Response [Response is in the same bullet order as the comment above]:

- *In January 2022, the court received an Order from the judge to not forfeit the bond and a warrant was issued. The warrant remains active, but after consulting with the judge, the bond has been forfeited.*
- *The court will be sure to verify that the information on the commitment matches the Journal Entry and Order.*
- *The court will be sure to follow the proper instructions for adjusting money to unclaimed property under the Supreme Court Rule.*



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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, 2023. 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, 2023, 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 certain findings that are required to be reported under *Government Auditing Standards*, and those findings, along with the views of management, are 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.



Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

April 25, 2024

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, 2023

	<u>Balance</u> <u>January 1,</u> <u>2023</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31,</u> <u>2023</u>
ASSETS				
Cash and Deposits	\$ 4,979,793	\$ 20,124,834	\$ 21,614,697	\$ 3,489,930
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 57,736	\$ 1,616,951	\$ 1,597,628	\$ 77,059
Law Enforcement Fees	2,009	119,142	119,758	1,393
State Judges Retirement Fund	13,772	957,681	960,451	11,002
Court Administrative Fees	13,192	784,619	789,140	8,671
Legal Services Fees	6,982	532,764	533,610	6,136
Due to County Treasurer:				
Regular Fines	25,538	1,925,315	1,919,435	31,418
Overload Fines	426	44,424	44,350	500
Regular Fees	11,812	192,509	196,053	8,268
Petty Cash Fund	3,535	-	-	3,535
Municipality Fines	7,579	473,933	473,669	7,843
Due to Municipalities:				
Regular Fees	6,378	63,617	65,390	4,605
Trust Fund Payable	4,830,834	13,413,879	14,915,213	3,329,500
Total Liabilities	<u>\$ 4,979,793</u>	<u>\$ 20,124,834</u>	<u>\$ 21,614,697</u>	<u>\$ 3,489,930</u>

The accompanying notes are an integral part of the Schedule.

DOUGLAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Calendar Year Ending December 31, 2023

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.