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Chief Justice Jeffrey J. Funke
Nebraska Supreme Court
Room 2214, State Capitol
Lincoln, Nebraska 68509

Dear Chief Justice Funke:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Nebraska (State), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 17, 2025. In planning and performing our audit of the financial statements, we considered the State's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

In connection with our audit described above, we noted certain internal control or compliance matters related to the activities of the Nebraska Supreme Court (Supreme Court) or other operational matters that are presented below for your consideration. These comments and recommendations, which have been discussed with the appropriate members of the Supreme Court's management, are intended to improve internal control or result in other operating efficiencies.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

In addition, we noted other matters involving internal control and its operation that we have reported to management of the Supreme Court, pursuant to American Institute of Certified Public Accountants (AICPA) Auditing Standards AU-C Section 265.A18, in a separate early communication letter dated June 30, 2025.

Draft copies of this management letter were furnished to the Supreme Court to provide management with an opportunity to review and to respond to the comments and recommendations contained herein. All formal responses received have been incorporated into this management letter. *Government Auditing Standards* require the auditor to perform limited procedures on the responses. The responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them. Responses that indicate corrective action has been taken were not verified at this time, but they will be verified in the next audit.

The following are our comments and recommendations for the year ended June 30, 2025.

1. JUSTICE Lack of Segregation of Duties and Court Order Approval

The Judicial User System to Improve Court Efficiency (JUSTICE) application is the Supreme Court's case and financial management system for Nebraska trial courts.

The JUSTICE application lacked a sufficient segregation of duties, as one person could handle all aspects of processing transactions from beginning to end.

The inherent lack of segregation of duties resides within the "Administrator," "Supervisor," and "Financial" user classes. These user classes are able to complete at least the following tasks in JUSTICE: 1) issue, adjust, and void receipts, including non-monetary receipts; 2) issue, adjust, reprint, and void checks; 3) enter citations and court orders; 4) change the dates the checks clear the bank; 5) adjust funds from one account to another on a receipt; and 6) adjust funds from one account to another on a check.

Furthermore, within JUSTICE is a module, DOCKET, used to issue court orders affixed with the Judge's signature. The "Judge Staff" role in JUSTICE granted users the ability to create and issue Judge-signed court orders through DOCKET and was assigned to 313 users who were not Judges, as shown below by job title:

Job Title	Count
Courtroom Clerks & Assistant Clerks	153
Clerk Magistrates	81
Judicial Administration	29
IT Staff and System IDs	14
Accounting and Clerical Clerks	14
Division Manager/Supervisor	9
Administrative Staff	4
Bailiff & Court Reporters	5
Other Agencies	3
Clerk of the District Courts	1
Total	313

As a result, these users were able to create and issue orders affixed with the Judge's signature without formal documentation to support the Judge's approval of the order.

In some instances, the same Supreme Court staff may also have access to court receipts, which would allow them to record non-monetary transactions (e.g., waiving fines) in JUSTICE. Access to both significantly increases the risk of improper transactions, as one individual would be able to collect cash, record a non-monetary receipt in the system, create an authorization signed by the Judge to waive the fee, and not deposit the cash.

Per Nebraska Information Technology Commission (NITC) Technical Standards and Guidelines, General Provisions Policy 1-102, "Authority; applicability," NITC Technical Standards and Guidelines do not apply to the Supreme Court; nevertheless, according to the NITC, these provisions should be treated as guidelines or recommendations.

NITC Technical Standards and Guidelines, Information Security Policy 8-701 (July 2023), “Auditing and compliance; responsibilities; review,” states the following, in relevant part:

An agency review to ensure compliance with this policy and applicable NIST SP 800-53 security guidelines must be conducted at least annually.

National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 5 (December 2020), “Security and Privacy Controls for Information Systems and Organizations,” Access Control 6 (AC-6), Least Privilege, states, in part, the following:

Employ the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) that are necessary to accomplish assigned organizational tasks.

Good internal control includes a plan of organization, procedures, and documentation designed to safeguard assets and provide reliable financial records. A system of internal controls should include a proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end. Further, a proper system of internal controls includes: 1) procedures to ensure system access is limited, being granted only to appropriate individuals, and documentation is properly approved and maintained for such access; and 2) court orders affixed with a Judge’s signature by someone other than the Judge have formal documentation to support the Judge’s approval of the order, and such documentation is maintained for subsequent review.

This issue has been noted since the fiscal year 2021 audit.

The lack of such procedures increases the risk for not only loss or misuse of State funds but also the occurrence of undetected fraudulent transactions.

We recommend the Supreme Court review the lack of segregation of duties in the JUSTICE application, including within DOCKET. As always, the cost of hiring additional personnel or making significant system changes versus the benefit of a proper segregation of duties must be weighed. Where reasonably possible, the Supreme Court should implement procedures to ensure an adequate segregation of duties, as well as limit system access and ensure that such access is granted only to appropriate individuals, and supporting documentation is properly approved and maintained. We also recommend the Supreme Court implement procedures to ensure court orders affixed with a Judge’s signature by someone other than the Judge have formal documentation to support the Judge’s approval of the order, and such documentation is maintained for subsequent review.

Supreme Court Response: The Administrative Office of the Courts and Probation (AOCP) understands 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. 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. Documentation of judge approval of staff access will continue to be reviewed.

2. Court Reporter Issues

The Supreme Court paid \$210,414 for substitute court reporters during fiscal year 2025. The Auditor of Public Accounts (APA) tested four separate payment documents, totaling \$57,781. These four documents contained 134 separate transactions for substitute court reporter expenses. We identified several concerns, which are included in the following table:

# of Transactions	Amount	Description
117	\$ 47,765	Rate was not preapproved or documented prior to the service. No contract or rate on file.
52	\$ 24,366	Lack of Judge approval that services were performed to support payment.
22	\$ 11,519	Lack of approval by the Supreme Court for the substitute court reporter.
14	\$ 6,437	Court reporter worked less than four hours but was paid the full day rate.
12	\$ 4,115	Mileage costs were paid, totaling \$525, without documentation. No policy exists for the reimbursement of mileage expenses.

It should be noted that some of the 134 transactions tested included multiple concerns, so the totals in the above table are greater than the amount and number of transactions tested.

The Supreme Court also lacked documentation to ensure not only that substitute court reporters met the qualifications set out in its own Rules and Regulations, but also that formal guidance is created to differentiate between half-day and full-day pay rates and ensure such rates are appropriately charged.

Furthermore, the Supreme Court paid Great Plains Reporting \$33,000 for other contractual services during fiscal year 2025, which included providing 40,000 minutes of services preparing Bills of Exception and transcription services. However, the Supreme Court's contract expired on June 30, 2024. Additionally, the Supreme Court failed to provide documentation or evidence to verify whether the contractor provided 40,000 minutes of service and if these services were met before additional amounts for court reporting services were paid. The Supreme Court paid this same contractor an additional \$161,517 for substitute court reporting services.

The Supreme Court's rules allow for contracting with both official court reporters and substitute reporters. To start, § 1-201(A)(4) provides, in relevant part, the following:

Except as otherwise ordered or directed by the Nebraska Supreme Court, a judge of the district, separate juvenile, or county court may contract with an official court reporter with the approval of the Nebraska Supreme Court to make, preserve, transcribe, and deliver the record of the trial and other proceedings over which said judge presides.

Likewise, § 1-212(A) states the following:

In the event an official court reporter voluntarily leaves employment; is terminated; is unavailable because of illness, disability, or incapacity; or is unavailable for any other reason, and where it would appear to not be practical or feasible to reassign another official court reporter on a temporary basis, the judge of such reporter, with the approval of the Nebraska Supreme Court, may designate or contract with a reporter having passed an examination at least as stringent as that described in § 1-204(B) or (C) or received approval from the Nebraska Supreme Court as described in § 1-204(D) to act as a substitute reporter.

Additionally, a proper system of internal controls requires procedures to ensure the following: 1) substitute court reporters meet the qualifications set out in the Supreme Court's rules; 2) documentation of the Supreme Court's approval for substitute court reporters is maintained; 3) contracts detailing the rate to be paid prior to the performance of the service are obtained; 4) approval from the Judge verifying that services were performed prior to payment is maintained; 5) substitute reporters working less than four hours are not paid for a full day's service; and 6) documentation for what constitutes a half-day or full-day pay rate, along with an official policy regarding reimbursement payments for mileage costs, is approved.

A proper system of internal controls also requires active contracts to be on file prior to payments for services performed, and procedures are developed to document each contractor's compliance with applicable contractual terms.

Without such procedures, there is a risk for misuse of State funds.

We recommend the following: 1) substitute court reporters meet the qualifications set out in the Supreme Court's rules; 2) documentation of the Supreme Court's approval for substitute court reporters is maintained; 3) contracts detailing the rate to be paid prior to the performance of the service are obtained; 4) approval from the Judge verifying that services were performed prior to payment is maintained; 5) substitute reporters working less than four hours are not paid for a full day's service; and 6) documentation for what constitutes a half-day or full-day pay rate, along with an official policy regarding reimbursement payments for mileage costs, is approved.

We also recommend the Supreme Court ensure active contracts are on file prior to payments for services performed, and procedures are developed to document each contractor's compliance with applicable contractual terms.

Supreme Court Response: The AOC will review and revise the process of retaining the services of substitute court reporters. Emphasis will be on improving documentation.

3. Liquidated Damages

The APA completes an attestation engagement on a rotational basis for each of the State's county courts, which are under the jurisdiction of the Supreme Court. During these engagements, the APA found that many of the cases on the Overdue Case Balance Reports have balances consisting of liquidated damages. Some of these cases date back more than 20 years. The APA has also determined that the courts are inconsistent in the recording and handling of liquidated damages cases. Specifically, the APA has the following concerns:

- The Supreme Court has failed to provide guidance to the county courts for collecting the overdue balances "by execution or otherwise," as prescribed by statute.
- Neither the Supreme Court nor the Nebraska Game and Parks Commission (Commission) have an accurate listing of cases with liquidated damages. The Supreme Court provided a report showing \$70,251 in outstanding liquidated damages. However, as of June 30, 2025, the Commission showed the total amount owed as \$240,615. This amount was calculated using the Commission's report dated November 6, 2025, and removing cases added after June 30, 2025.
- Some county courts have waived liquidated damages cases, using nonmonetary receipts to remove the cases from their outstanding balances reports. Therefore, those waived cases are not reflected on the Supreme Court's listing. The APA found no statutory authority to waive liquidated damage cases.
- Some county courts have failed to record the case as liquidated damages in the court system; instead, the citation might be entered as restitution, which would not show up on the Supreme Court's listing.
- Cases that have a balance due in the future (current cases) also would not be reflected on the Supreme Court's listing.

Neb. Rev. Stat. § 37-613(1) (Cum. Supp. 2024) establishes the amount of certain liquidated damages and states, "Any person who sells, purchases, takes, or possesses contrary to the Game Law any wildlife shall be liable to the State of Nebraska for the damages caused thereby."

Neb. Rev. Stat. § 37-601 (Reissue 2016) requires the prosecution of all persons charged with violations of the Game Law, as follows:

All prosecutions for violations of the Game Law shall be brought in the name of the State of Nebraska before any court having jurisdiction thereof. It shall be the duty of all prosecuting attorneys in their respective jurisdictions to prosecute all persons charged with violations of the Game Law.

Furthermore, § 37-613(3) tasks the courts with collecting liquidated damages upon conviction:

Such damages may be collected by the commission by civil action. In every case of conviction for any of such offenses, the court or magistrate before whom such conviction is obtained shall further enter judgment in favor of the State of Nebraska and against the defendant for liquidated damages in the amount set forth in this section and collect such damages by execution or otherwise. Failure to obtain conviction on a criminal charge shall not bar a separate civil action for such liquidated damages. Damages collected pursuant to this section shall be remitted to the secretary of the commission who shall remit them to the State Treasurer for credit to the State Game Fund.

A proper system of internal control requires procedures to ensure the consistent recording and collection of liquidated damages by the courts.

Without such procedures, there is an increased risk of such funds being lost or not properly credited to the State Game Fund.

This issue was noted in the two prior management letters.

We recommend the Supreme Court implement procedures for providing adequate guidance to the courts for following up on outstanding liquidated damages balances, ensuring that all such amounts are both recorded consistently and collected, not waived. We also recommend the Supreme Court continue to work with the Commission to ensure an accurate listing of outstanding liquidated balances is maintained.

Supreme Court Response: As discussed in the exit conference, the AOC&P continues to work with the Nebraska Game and Parks Commission on legislation and data sharing.

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It should be noted that this letter is critical in nature, as it contains only our comments and recommendations and does not include our observations on any strengths of the Supreme Court.

Our audit procedures were designed primarily to enable us to form an opinion on the Basic Financial Statements. Our audit procedures were also designed to enable us to report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use our knowledge of the Supreme Court and its interaction with other State agencies and administrative departments gained during our work to make comments and suggestions that we hope will be useful to the Supreme Court.

The purpose of this letter is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or compliance.

This communication is intended solely for the information and use of management, the Governor and State Legislature, others within the Supreme Court, Federal awarding agencies, pass-through entities, and management of the State of Nebraska and is not suitable for any other purposes. However, this communication is a matter of public record, and its distribution is not limited.



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