

**ATTESTATION REPORT
OF
THURSTON COUNTY COURT
JULY 1, 2009 THROUGH JUNE 30, 2012**

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Issued on July 23, 2012

THURSTON COUNTY COURT

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THURSTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Thurston County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and other operational matters that are presented here.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

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:*** Considered to be a material weakness, 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.

More detailed information on the above items is provided hereafter. 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 them an opportunity to review the report and to respond to the comments and recommendations included in this report. The County Court declined to respond.

THURSTON 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 proper segregation of duties, so no one individual is capable of handling all phases of a transaction from beginning to end.

We noted the office of the County Court had a lack of 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; 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 comment in previous examinations. We consider this to be a material weakness.

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.

2. Overdue Balances

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

During testing of ten overdue balances, six, totaling \$4,008, did not have subsequent action taken by the County Court to ensure collection and/or resolution of the balances, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible. As of August 15, 2009, overdue balances, excluding restitution judgments, totaled \$53,788. As of June 16, 2012, overdue balances, excluding restitution judgments, totaled \$74,715; an increase of \$20,927, or 38.9%.

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

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



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THURSTON COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Thurston County Court as of and for the fiscal years ended June 30, 2012, June 30, 2011, and June 30, 2010. The County Court's management is responsible for the Schedules. Our responsibility is to express an opinion 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 and, accordingly, included examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the Schedules referred to above present, in all material respects, the assets and liabilities arising from cash transactions of the Agency Funds of Thurston County Court as of June 30, 2012, June 30, 2011, and, June 30, 2010, and the related activity for the fiscal years then ended, based on the accounting system and procedures prescribed by the Nebraska Supreme Court as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedules and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. 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 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.

This report is intended solely for the information and use of management, the Supreme Court, others within the County Court, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

July 17, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 42,065	\$ 174,462	\$ 187,428	\$ 29,099
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,837	\$ 22,466	\$ 22,856	\$ 1,447
Law Enforcement Fees	818	2,021	2,559	280
State Judges Retirement Fund	3,952	6,648	9,306	1,294
Court Administrative Fees	6,008	25,589	27,921	3,676
Legal Services Fees	1,997	6,827	8,009	815
Due to County Treasurer:				
Regular Fines	2,045	41,279	41,112	2,212
Overload Fines	25	3,400	3,425	-
Regular Fees	155	8,042	8,015	182
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	-	450	450	-
Trust Fund Payable	<u>25,178</u>	<u>57,740</u>	<u>63,775</u>	<u>19,143</u>
Total Liabilities	<u>\$ 42,065</u>	<u>\$ 174,462</u>	<u>\$ 187,428</u>	<u>\$ 29,099</u>

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2011

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
ASSETS				
Cash and Deposits	\$ 41,483	\$ 161,402	\$ 160,820	\$ 42,065
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,022	\$ 18,958	\$ 19,143	\$ 1,837
Law Enforcement Fees	145	2,163	1,490	818
State Judges Retirement Fund	470	8,287	4,805	3,952
Court Administrative Fees	2,201	26,676	22,869	6,008
Legal Services Fees	536	6,963	5,502	1,997
Due to County Treasurer:				
Regular Fines	2,901	38,979	39,835	2,045
Overload Fines	-	975	950	25
Regular Fees	447	5,411	5,703	155
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	50	-	50	-
Trust Fund Payable	32,661	52,990	60,473	25,178
Total Liabilities	\$ 41,483	\$ 161,402	\$ 160,820	\$ 42,065

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010
ASSETS				
Cash and Deposits	\$ 28,843	\$ 173,371	\$ 160,731	\$ 41,483
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,263	\$ 23,312	\$ 22,553	\$ 2,022
Law Enforcement Fees	67	1,519	1,441	145
State Judges Retirement Fund	265	5,751	5,546	470
Court Administrative Fees	1,198	17,615	16,612	2,201
Legal Services Fees	331	6,328	6,123	536
Due to County Treasurer:				
Regular Fines	2,258	38,527	37,884	2,901
Overload Fines	-	25	25	-
Regular Fees	245	3,112	2,910	447
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	-	150	100	50
Trust Fund Payable	23,166	77,032	67,537	32,661
Total Liabilities	\$ 28,843	\$ 173,371	\$ 160,731	\$ 41,483

The accompanying notes are an integral part of the schedule.

THURSTON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Fiscal Years Ended June 30, 2012, June 30, 2011, and June 30, 2010

1. Criteria

A. Reporting Entity

The Thurston 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 Schedules 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 Schedules do 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 Thurston County.

B. Basis of Accounting

The accounting records of the County Court Agency Funds are maintained, and the Schedules 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. 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 2008). 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.