

**ATTESTATION REPORT
OF
THURSTON COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on July 10, 2017

THURSTON COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Period July 1, 2015, to December 31, 2016	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2015	7
Notes to Financial Schedules	8

THURSTON COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Thurston 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. ***Non-Monetary Receipt Issues:*** The County Court did not waive fees for one case in a timely manner after ordered by the Court. In addition, one non-monetary receipt waived a fee that should not have been waived.

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. 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 to 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 the office of the County Court lacked a segregation of duties. Specifically, 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 included this comment in previous examinations.

The following errors were noted:

- The Court maintains a \$50 cash fund that is not recorded in the accounting system.
- In one criminal case, a \$450 balance held was received in August 2005. Action was taken in January 2015 to waive restitution associated with the case; however, as of the date of this report, no further action has been taken to refund the balance held or to remit it to the State Treasurer as property presumed abandoned.
- A bank deposit correction was incorrectly receipted into the accounting system in April 2013 as a non-case receipt; however, this should have been entered as an unknown overage. In the prior attestation, the APA advised to move these funds, but no further action had been taken until the APA's inquiry during fieldwork of the current attestation. Additionally, if this balance remains a non-case receipt, it is past due for being remitted to the State Treasurer as property presumed abandoned.

We recommend the County Court and the Nebraska State Court Administrator review these situations. As always, the cost of hiring additional personnel versus the benefit of a proper segregation of duties must be weighed. Furthermore, we recommend the County Court implement procedures to ensure that balances maintained by the Court are reviewed and follow-up action is completed in a timely manner. Lastly, we recommend the County Court implement procedures to ensure that all cash held by the Court is properly recorded into the accounting system.

2. Non-Monetary Receipt Issues

During testing of non-monetary receipts, we noted the following:

- For one civil case, a satisfaction was filed in the Court on September 14, 2009; however, the remaining fees of \$1,318.66 were not non-monetary receipted until March 25, 2015, or 2,018 days after the satisfaction was filed.

THURSTON COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Non-Monetary Receipt Issues (Concluded)

- For one criminal case, non-waiverable court costs, totaling \$17, were incorrectly waived.

Neb. Rev. Stat. § 29-2709 (Reissue 2016) provides, in relevant part, the following:

When any costs in misdemeanor, traffic, felony preliminary, or juvenile cases in county court, except for those costs provided for in subsection (3) of section 24-703, two dollars of the fee provided in section 33-107.01, the court automation fee provided in section 33-107.03, and the uniform data analysis fee provided in section 47-633, are found by a county judge to be uncollectible for any reason, including the dismissal of the case, such costs shall be deemed waived

Additionally, good internal controls require all court orders to be carried out promptly and any waived costs to be entered into the system in a timely manner.

We recommend the County Court waive court fees only as provided for in State statute. Additionally, we recommend the County Court implement procedures to ensure that all court orders are carried out promptly, and any waived costs are entered timely into the system.



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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 the Thurston County Court as of and for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015. The County Court's management is responsible for the Schedules based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules 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 plan and perform the examination to obtain reasonable assurance about whether the Schedules are 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 Schedules 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 Schedules, 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 Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the period July 1, 2015, to December 31, 2016, and the fiscal year ending June 30, 2015, are 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 findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, abuse that is material to the Schedules, and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. 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 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, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Mark Avery", with a long horizontal flourish extending to the right.

July 7, 2017

Mark Avery, CPA
Audit Manager
Lincoln, Nebraska

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

For the Period Ending December 31, 2016

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>December 31, 2016</u>
ASSETS				
Cash and Deposits	\$ 22,064	\$ 170,255	\$ 167,662	\$ 24,657
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,100	\$ 24,883	\$ 25,267	\$ 1,716
Law Enforcement Fees	143	2,026	2,055	114
State Judges Retirement Fund	691	8,451	8,685	457
Court Administrative Fees	870	18,560	18,839	591
Legal Services Fees	678	7,492	7,715	455
Due to County Treasurer:				
Regular Fines	1,639	37,052	36,020	2,671
Overload Fines	225	1,075	1,300	-
Regular Fees	488	6,221	5,968	741
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	-	136	136	-
Trust Fund Payable	15,180	64,359	61,677	17,862
Total Liabilities	<u>\$ 22,064</u>	<u>\$ 170,255</u>	<u>\$ 167,662</u>	<u>\$ 24,657</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, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 18,578	\$ 136,570	\$ 133,084	\$ 22,064
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,205	\$ 16,041	\$ 16,146	\$ 2,100
Law Enforcement Fees	105	1,212	1,174	143
State Judges Retirement Fund	354	4,329	3,992	691
Court Administrative Fees	989	14,431	14,550	870
Legal Services Fees	331	4,288	3,941	678
Due to County Treasurer:				
Regular Fines	2,357	28,055	28,773	1,639
Overload Fines	-	1,175	950	225
Regular Fees	193	5,804	5,509	488
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	-	324	324	-
Trust Fund Payable	11,994	60,911	57,725	15,180
Total Liabilities	\$ 18,578	\$ 136,570	\$ 133,084	\$ 22,064

The accompanying notes are an integral part of the schedule.

THURSTON COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Period Ended December 31, 2016, and Fiscal Year Ended June 30, 2015

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 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 2009) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.