

**ATTESTATION REPORT
OF
THOMAS COUNTY COURT**

JULY 1, 2009 THROUGH JUNE 30, 2011

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Issued on May 25, 2012

THOMAS COUNTY COURT

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THOMAS COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Thomas 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 areas as follows:

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. ***Monthly Report Review:*** The Monthly Case Balance Report was not reviewed by the County Court with corrective actions taken to resolve any issues noted.
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. ***Accuracy of Check Issue Dates:*** The County Court did not issue checks with issue dates consistent with the Court's accounting system.

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. All formal responses received have been incorporated into this report. Where no response has been included, the County Court declined to respond. 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 will be verified in the next examination.

We appreciate the cooperation and courtesy extended to our auditors during the course of the examination.

THOMAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

1. Segregation of Duties

Good internal control includes a plan of organization, procedures, and records 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 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. Monthly Report Review

Good internal control requires the County Court have procedures in place which provide ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report. In addition, sound accounting practices require procedures be in place which ensure the complete, accurate, and timely posting of defendant payments to their respective cases.

During testing of June 30, 2010, case balances, we noted the following:

- No attempt was made by the County Court to pay out \$46 in restitution to the case's victim, restitution which the County Court had received in July 2007.
- No attempt was made by the County Court to refund a \$270 defendant appearance bond after the defendant had completed his obligation to the County Court in February 2010.
- The County Court did not initiate follow up with the County Attorney regarding disposition of a \$200 defendant appearance bond posted in June 2006.

During testing of June 30, 2011, case balances, we noted the following:

- No attempt was made by the County Court to refund a \$180 traffic citation duplicate payment received in March 2011.
- An \$80 payment made by a traffic defendant in January 2011 had not been applied to fines/costs.

THOMAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. **Monthly Report Review** (Concluded)

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk of errors, omissions, and/or irregularities which would not be detected and/or resolved in a timely manner.

This issue was also reported in the prior attestation.

We strongly recommend the County Court perform ongoing, detailed, and timely review of all monthly financial reports, including the Monthly Case Balance Report to promptly identify and resolve unattached and/or unusual balances/receipts.

County Court's Response: The issues raised in the audit have been resolved and will not be reoccurring.

3. **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 five overdue balances, two, totaling \$569, 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 April 30, 2010, the time of the prior attestation, overdue balances excluding restitution judgments totaled \$2,850. As of May 11, 2012, overdue balances, excluding restitution judgments, totaled \$5,836; an increase of \$2,986, or 105%, in 2 years.

Without regular review of overdue case balances, there is an increased risk overdue balances may either not have 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.

County Court's Response: The issues raised in the audit have been resolved and will not be reoccurring.

THOMAS COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

4. Accuracy of Check Issue Dates

Sound accounting practices require accounting systems or records to completely and accurately record actual financial activity, including actual transaction dates.

Four of ten checks tested did not have issue dates consistent with the JUSTICE system, the computerized accounting and case management system of County Court. These inconsistencies varied from one to three days.

When all actual payment information, including payees, amounts, and issue dates, does not agree with the accounting system, the system does not provide a complete and accurate record of actual financial activity of the County Court and increases the risk of loss or misuse of funds.

We recommend the County Court implement procedures to ensure all checks are completely and accurately issued in agreement with the JUSTICE system.

County Court's Response: The issues raised in the audit have been resolved and will not be reoccurring.



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THOMAS COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of Thomas County Court as of and for the fiscal years ended 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 Thomas County Court as of 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

May 17, 2012

Pat Reding, CPA
Assistant Deputy Auditor

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

For the Fiscal Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and Deposits	\$ 6,871	\$ 62,482	\$ 62,825	\$ 6,528
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 617	\$ 8,343	\$ 8,358	\$ 602
Law Enforcement Fees	96	1,199	1,220	75
State Judges Retirement Fund	271	3,492	3,520	243
Court Administrative Fees	332	4,920	4,969	283
Legal Services Fees	311	3,850	3,900	261
Due to County Treasurer:				
Regular Fines	2,400	29,017	29,942	1,475
Overload Fines	200	625	825	-
Regular Fees	-	154	154	-
Trust Fund Payable	2,644	10,882	9,937	3,589
Total Liabilities	<u>\$ 6,871</u>	<u>\$ 62,482</u>	<u>\$ 62,825</u>	<u>\$ 6,528</u>

The accompanying notes are an integral part of the schedule.

THOMAS COUNTY COURT
THEDFORD, 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	\$ 5,474	\$ 61,350	\$ 59,953	\$ 6,871
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 520	\$ 7,298	\$ 7,201	\$ 617
Law Enforcement Fees	48	979	931	96
State Judges Retirement Fund	181	3,190	3,100	271
Court Administrative Fees	251	4,676	4,595	332
Legal Services Fees	228	3,573	3,490	311
Due to County Treasurer:				
Regular Fines	1,750	27,044	26,394	2,400
Overload Fines	-	725	525	200
Regular Fees	-	59	59	-
Trust Fund Payable	2,496	13,806	13,658	2,644
Total Liabilities	\$ 5,474	\$ 61,350	\$ 59,953	\$ 6,871

The accompanying notes are an integral part of the schedule.

THOMAS COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2011, and June 30, 2010

1. Criteria

A. Reporting Entity

The Thomas 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; 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 Thomas 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 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.