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June 13, 2019

To the Board of Supervisors
Thurston County, Nebraska
P.O. Box G
Pender, NE 68047

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thurston County, Nebraska, (County) for the year ended June 30, 2018, and issued our report thereon dated June 13, 2019. In planning and performing our audit of the financial statements of the County, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control. We also performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants.

During our audit, we noted certain matters involving internal control over financial reporting and other operational matters that are presented here. These comments and recommendations are intended to improve the internal control over financial reporting or result in operational efficiencies in the following areas:

COUNTY OVERALL

Segregation of Duties

An accounting system is designed to assemble, analyze, classify, record, and report financial data. In performing these functions, an accounting system also must maintain adequate control over a County's assets. A County's internal control framework must provide assurance that the accounting system and its underlying data are reliable.

We noted the offices of the County each lacked a segregation of duties, as one person could handle all aspects of processing a transaction from beginning to end. A lack of segregation of duties increases the risk of possible errors or fraud occurring and not being detected either within a reasonable amount of time or at all. This was also noted in prior audits.

We recommend that the County continue to monitor and evaluate its internal control with the use of limited personnel and to provide as much segregation of duties as determined to be feasible within its operations.

Documentation of Procedures

A comprehensive framework of internal control must possess five essential elements. It must: (1) provide a favorable control environment; (2) provide for the continuing assessment of risk; (3) provide for the design, implementation, and maintenance of effective control-related policies and procedures; (4) provide for the effective communication of information; and (5) provide for the ongoing monitoring of the effectiveness of control related policies and procedures, as well as the resolution of potential problems identified by controls.

We noted the County does not have formal written accounting policies and procedures and related control procedures, including antifraud programs and controls. Without these formal accounting policies in place, it is very difficult for management to properly carry out their duties regarding the five essential elements listed above.

We recommend the County Board formulate a written accounting policy and procedures for their duties and responsibilities. In addition, the Board should impress upon the other elected officials to create a written accounting policy and procedures for their individual offices.

Financial Reporting Process

According to Paragraph 3.28a of the 2007 Yellow Book, providing basic assistance, including "preparing draft financial statements that are based on management's chart of accounts and trial balance . . . ; preparing draft notes to the financial statements based on information determined and approved by management; [and] preparing a trial balance based on management's chart of accounts" are all nonaudit services that would not impair independence provided the Yellow Book's supplemental safeguards are implemented. One of the supplemental safeguards is identifying an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them.

The County does not have controls over the period-end financial reporting processes, including controls over procedures used to initiate, authorize, record, and process journal entries to the unadjusted cash basis information necessary to prepare the financial statements. In addition, the County does not have controls over the selection of accounting procedures due to the lack of expertise over the selection and application of accounting principles. The County utilizes the expertise of the auditor to propose adjustments and disclosures and to draft the financial statements. Without controls over the period-ending financial reporting processes, the County is taking the risk of accepting the financial statements that could have a material misrepresentation.

We recommend the County Board carefully review the financial statements, including disclosures, and understand the relationship to the underlying data. All proposed adjustments should be understood and approved.

ALL COUNTY OFFICES

Outstanding Check Policy

During our audit we noted that multiple offices within the County, that maintained checking accounts, had outstanding checks in their bank reconciliations that have been outstanding for a very long period of time. We also noted that even though a few of the offices had outstanding check policies, none of the offices were following these policies. In addition, none of the offices were aware of the specific requirements of the State of Nebraska Unclaimed Property Act and therefore, in certain cases were in noncompliance with this act.

Sound accounting practices and good internal controls require policies to be created, and if created, followed, to ensure outstanding checks do not become so old they become stale. In addition, the Nebraska Unclaimed Property Act requires presumes intangible personal property held by a county and unclaimed for more than three years to be abandoned. Further, the Act requires any property presumed to be abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

Without such accounting policies and procedures, there is an increased risk of not only noncompliance with state statute, but also the loss or misuse of funds.

We recommend all County Offices that have checking accounts work to create and implement an outstanding check policy within their office. If the office has already created an outstanding check policy, then we recommend the office implement and follow this policy. In addition, we recommend each office work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by state statute.

COUNTY BOARD

Review of Claims

During our testing of expenditures we noted the following discrepancies:

- (1) The County Board does not review all the claims details, just a listing of expenditures from the County Clerk;
- (2) Some of the expenditures tested did not appear to be properly classified to an account;
- (3) Some of the expenditures tested did not have proper documentation attached with the claim or a reference on the claim as to where the documentation could be found;
- (4) All claims approved by the Board were not listed in the Board minutes on file with the County Clerk; and
- (5) Claims paid were not reviewed against a listing of delinquent personal property taxes prior to being paid.

Nebraska State Statute Section 23-109, states "The county board has the duty to examine and settle all accounts against the county and examine and settle accounts concerning receipts and expenditures of the county." In addition, Nebraska State Statute Section 23-143, states "The county board of any county, whenever the account or claim of any person, firm or corporation against the county is presented to them for allowance, shall procure from the county treasurer a certificate of the amount of delinquent personal taxes assessed against the person, firm or corporation in whose favor the account or claim is presented, and shall deduct from any amount found due upon such account or claim the amount of such tax,..." Lastly, sound accounting practices and good internal controls would require the county board to review all expenditures to ensure they have supporting documentation and are coded to the proper account.

We recommend the County Board review each expenditure against the County's funds to ensure they have supporting documentation, are properly coded and classified for the type of expenditure, and do not have any outstanding delinquent personal property taxes. In addition, we recommend that a full listing of each expenditure is listed in the Board minutes maintained by the County Clerk.

Salaries Publication

During our review of the subsequent County Board minutes we noted the required salaries publication was not published within the time frame required by Nebraska State Statutes. The salaries were published on August 23, 2018, which was eight days later than the latest date allowed by the law.

Nebraska State Statute Section 23-122, requires publication between July 15 and August 15 of each year, the employee job titles and the current annual, monthly, or hourly salaries corresponding to such job titles.

We recommend the County Board ensures the publication of the information required by State statute is filed within the required time frame, in accordance with the law.

COUNTY SHERIFF

Fee Remittance

During our review of the County Sheriff's office, we noted the following:

- Fees received in the office during the quarter April 1, 2017 to June 30, 2017, were not remitted to the County Treasurer until November 2018.
- Fees received in the office during the quarter July 1, 2017 to September 30, 2017, were not remitted to the County Treasurer until November 2018.

Nebraska State Statute Section 33-117, states "The sheriff shall, on the first Tuesday in January, April, July, and October of each year, make a report to the county board showing... He or she shall pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county."

We recommend the County Sheriff remit all fees earned each quarter to the County Treasurer as required by law.

Bank Reconciliations

During our review of the County Sheriff's office, we noted three of the bank reconciliations prepared for the bank accounts under the authority of the Sheriff's Office included errors and inaccuracies. After conversing with the bookkeepers of the office and the jail records there was a misunderstanding of the proper procedures for bank reconciliations.

Sound accounting practices and good internal controls require an accurate accounting of office activity and reconciliation between the bank accounts and the office records to ensure they are free from obvious errors.

We recommend the County Sheriff implement internal control policies and procedures to ensure all bank accounts are reconciled to the office records on a monthly basis. In addition, we recommend the County Sheriff review, and document the review, of the reconciliations and to ensure the records are accurate.

COUNTY CLERK

Adequate Records - Balancing Procedures

During review of the County Clerk's office, we noted the following:

- The office doesn't deposit money into the bank each day, use pre-numbered sales slips, follow their own outstanding checking policy, or destroy the signature block of voided checks.

- Deposits into the fee checking account did not match receipts on the fee books throughout the year resulting in a variance at the end of the year. At June 30, 2018, the bank account had \$366 short that could not be identified.
- Complete and accurate bank reconciliations were not performed on a monthly basis for the fee checking account.

Sound accounting practices and good internal control require procedures to be in place to ensure office records reconcile with bank activity on at least a monthly basis. Reconciliation procedures should include the timely identification and resolution of all variances noted. Failure to perform accurate and timely bank reconciliations and appropriately account for receipts, leaves the County susceptible to errors or fraud and increases the risk of loss, theft, or misuse.

We recommend the County Clerk maintain adequate records at all times to support balances and complete accurate monthly bank reconciliations. In addition, we recommend the County Clerk follow their policy on outstanding checks, deposit the money received on a daily basis, begin using pre-numbered sales receipts, and destroy the signature block of all voided checks.

COUNTY TREASURER

Inter Fund and Posting Errors

During review of the County Treasurer's Office, we noted the following:

- One transfer for the correction of an error was not properly approved by the County Board. In addition, this transfer/correction was not done correctly and therefore required an adjusting journal entry to be made in order to balance out the transfers for the financial statements.

Sound accounting practices and good internal control require procedures to be in place to ensure office records are accurate and reconcile on at least a monthly basis with revenues received and disbursements. Reconciliation procedures should include the timely identification and resolution of all variances or errors noted. Failure to perform accurate and timely reconciliations and appropriately account for receipts in the proper funds or accounts, leaves the County susceptible to errors or fraud and increases the risk of loss, theft, or misuse.

We recommend the County Treasurer review the activities of the office at least on a monthly basis to ensure all receipt transactions have been posted to the correct account code or fund. In addition, when correcting errors noted in the records and accounts of the County, the County Treasurer needs to refrain from posting transfer entries without the direct approval of the County Board.

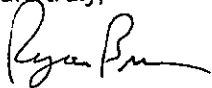
It should be noted this report is critical in nature, as it contains only our comments and recommendations on the areas noted for improvement and does not include our observations on any strong features of the County.

Draft copies of this report were furnished to the County to provide management with an opportunity to review the report and to respond to the comments and recommendations included in this report. The County declined to respond.

Thurston County, Nebraska
June 13, 2019
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This report is intended solely for the information and use of the County, the appropriate Federal and regulatory agencies, and citizens of the state of Nebraska, 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.

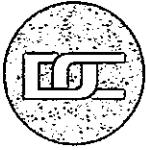
Yours truly,

A handwritten signature in black ink, appearing to read "Ryan Bruns". The signature is fluid and cursive, with a long horizontal stroke at the end.

RYAN R. BRUNS
For the Firm

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RRB:bvb



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June 13, 2019

To the Board of Supervisors
Thurston County, Nebraska
P.O. Box G
Pender, NE 68047

RE: AU-C 260

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Thurston County, Nebraska, for the year ended June 30, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, if applicable, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated December 3, 2018. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Thurston County, Nebraska, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2018. We noted no transactions entered into by the Thurston County, Nebraska, during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule summarizes uncorrected misstatements of the financial statements.

Thurston County, Nebraska
June 13, 2019
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RE: AU-C 260

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Thurston County, Nebraska's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Thurston County, Nebraska's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We were engaged to report on schedules 6 through 11, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the cash basis of accounting, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on schedules 1 through 5, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Thurston County, Nebraska
June 13, 2019
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RE: AU-C 260

Restriction on Use

This information is intended solely for the information and use of the Board of Supervisors and management of Thurston County, Nebraska, and is not intended to be, and should not be, used by anyone other than these specified parties.

Yours truly,

A handwritten signature in black ink, appearing to read "Ryan R. Bruns". The signature is fluid and cursive, with a prominent initial "R".

RYAN R. BRUNS
For the Firm

e-mail: bruns@danacole.com
direct line: 402.479.9329

RRB:slg

Client: 166576 - Thurston County
 Engagement: 166576-002 - Thurston County, NE
 Period Ending: 6/30/2018
 Trial Balance: 401-0101 - TB
 Workpaper: 401-0401 - Adjusting Journal Entries Report - 2

Account	Description	W/P Ref	Debit	Credit
Adjusting Journal Entries JE # 1		401-0201		
To adjust for a journal entry error				
100-602-0-2-7000	MICROFILMING/PHOTOSTAT		17,480.36	
100-602-0-2-1100	DATA PROCESSING FEES			17,480.36
Total			<u>17,480.36</u>	<u>17,480.36</u>
Adjusting Journal Entries JE # 2		JJ-01b		
Adjust princ, interest, and Fisc Chgs to the appropriate account				
3300-671-0-6-200	INTEREST PAYMENTS		83,541.25	
3300-671-0-6-700	FISCAL CHARGES		400.00	
3300-671-0-6-120	OUTSTANDING BONDS			83,941.25
Total			<u>83,941.25</u>	<u>83,941.25</u>
Adjusting Journal Entries JE # 3		M Section		
Adjust for errors in transfers between Accounts				
100-349-60	911 ENHANCED WIRELESS SERVICE		9,273.59	
2913-349-60	911 ENHANCED WIRELESS SERVICE		4,501.08	
2914-970-0-7-0200	TRANSFER OUT		13,774.67	
5907-101-0-0-0	CASH ACCOUNT		9,273.59	
100-101-0-0-0	CASH ACCOUNT			9,273.59
2913-590-2	TRANSFERS INTER-FUND			4,501.08
2914-346-1	PRORATE TAX			13,774.67
5907-653-0-5-1217	EMERGENCY 911 EQUIPMENT			9,273.59
Total			<u>36,822.93</u>	<u>36,822.93</u>