

**ATTESTATION REPORT
OF
SHERIDAN COUNTY COURT
JULY 1, 2012 THROUGH JUNE 30, 2014**

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Issued on June 2, 2015

SHERIDAN COUNTY COURT

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SHERIDAN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Sheridan County Court, we noted certain deficiencies 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:

1. ***Segregation of Duties:*** One individual was capable of handling all phases of a transaction from beginning to end.
2. ***Unclaimed Property:*** The County Court did not report and remit to the State Treasurer trust balances that were over three years old, as required by State statute.
3. ***Overdue Balances:*** The County Court did not review its overdue case balances on an ongoing, timely basis to ensure collection and/or resolution of such balances.
4. ***Trust Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure payment 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 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.

SHERIDAN 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 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. 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. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act, presumes intangible personal property held by a court and unclaimed for more than three years to be abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009) requires any unclaimed abandoned property, as of June 30 each year, to be reported and remitted to the State Treasurer before November 1 of each year.

We noted three checks, totaling \$63, that were past due for reporting and remittance to the Nebraska State Treasurer as unclaimed property. In addition, we noted two case balances, totaling \$59, that were past due for reporting and remittance to the Nebraska State Treasurer as unclaimed property.

We recommend the County Court work to report and to remit promptly all unclaimed property in its possession in accordance with State statute.

3. Overdue Balances

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

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. **Overdue Balances** (Concluded)

During testing of 15 overdue balances, 10 balances, totaling \$1,939, 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 25, 2015, overdue balances, excluding restitution judgments, totaled \$77,143. As of August 18, 2012, overdue balances, excluding restitution judgments, totaled \$69,838, an increase of \$7,305, or 10%.

A similar finding was noted in the prior report.

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

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

4. **Trust Balances**

Good internal control and sound business practices require trust balances of the County Court to be reviewed on an ongoing, timely basis to determine what action should be taken to refund and/or resolve those balances. Also, the County Court Procedures Manual, issued by the State Court Administrator, says that “bond proceeds shall be returned to the defendant upon the performance of all appearances.”

During testing of trust balances, we noted the following:

- Bond balances, totaling \$540, from two criminal cases that were fully satisfied in 2012, were not paid out in a timely manner and are still held by the Court.
- One criminal case, totaling \$2,700, in which a bond was declared forfeit in September 2011, was not forfeited until September 2014.
- One small claims case, totaling \$50, in which judgment was received in April 2008, was not paid out until November 2014.
- For two criminal cases and two probate cases, totaling \$238, the County Court made no attempt to refund or pay out the funds to the appropriate individuals.
- For one criminal case, totaling \$19, the fees collected were not applied appropriately.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

4. Trust Balances (Concluded)

- For one traffic case, totaling \$123, fines and costs were not applied to the case for seven months after collection, resulting in an unnecessary license suspension.

Without adequate controls in place to ensure the complete, accurate, and timely resolution of trust balances, there is an increased risk of loss, theft, misuse, or improper payment of monies held by the County Court.

We recommend the County Court implement procedures to ensure trust balances are reviewed timely for completeness, accuracy, and proper disposition.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Charlie Janssen
State Auditor

Charlie.Janssen@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

SHERIDAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Sheridan County Court as of and for the fiscal years ended June 30, 2014, and June 30, 2013. 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 the Sheridan County Court, as of June 30, 2014, and June 30, 2013, 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 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 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, 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.



Pat Reding, CPA
Assistant Deputy Auditor

April 29, 2015

SHERIDAN COUNTY COURT
RUSHVILLE, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
ASSETS				
Cash and Deposits	\$ 30,124	\$ 223,350	\$ 203,917	\$ 49,557
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,928	\$ 31,362	\$ 29,410	\$ 3,880
Law Enforcement Fees	246	3,226	3,142	330
State Judges Retirement Fund	777	10,567	10,395	949
Court Administrative Fees	1,176	16,339	16,051	1,464
Legal Services Fees	738	10,286	10,034	990
Due to County Treasurer:				
Regular Fines	4,431	68,705	63,773	9,363
Overload Fines	75	750	825	-
Regular Fees	153	6,067	5,653	567
Petty Cash Fund	500	-	-	500
Due to Municipalities:				
Regular Fines	-	100	-	100
Trust Fund Payable	20,100	75,948	64,634	31,414
Total Liabilities	\$ 30,124	\$ 223,350	\$ 203,917	\$ 49,557

The accompanying notes are an integral part of the schedule.

SHERIDAN COUNTY COURT
RUSHVILLE, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS
For the Fiscal Year Ended June 30, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
ASSETS				
Cash and Deposits	\$ 42,993	\$ 182,538	\$ 195,407	\$ 30,124
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,269	\$ 32,506	\$ 32,847	\$ 1,928
Law Enforcement Fees	298	2,798	2,850	246
State Judges Retirement Fund	963	9,887	10,073	777
Court Administrative Fees	1,277	14,948	15,049	1,176
Legal Services Fees	966	8,910	9,138	738
Due to County Treasurer:				
Regular Fines	5,315	65,606	66,490	4,431
Overload Fines	-	650	575	75
Regular Fees	112	22,824	22,783	153
Petty Cash Fund	-	500	-	500
Trust Fund Payable	31,793	23,909	35,602	20,100
Total Liabilities	\$ 42,993	\$ 182,538	\$ 195,407	\$ 30,124

The accompanying notes are an integral part of the schedule.

SHERIDAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2014, and June 30, 2013

1. Criteria

A. Reporting Entity

The Sheridan 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 Sheridan 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.