

**ATTESTATION REPORT
OF
SHERIDAN COUNTY COURT**

JULY 1, 2014, THROUGH DECEMBER 31, 2016

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Issued on June 13, 2017

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. 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. ***Unclaimed Property:*** The County Court did not report and remit six checks over three years old to the State Treasurer, as required by State statute.
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.

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. All formal responses received have been incorporated into this report. 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 they will be verified in the next examination.

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.

The following errors were noted:

- Access to signature stamps is not limited to the individuals whose names are on the stamps.
- During testing, the County Court failed to take timely action on 6 of 21 case balances, totaling \$927, resulting in one individual's license erroneously being suspended for an additional year.

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.

Clerk Magistrate's Response: The staff of the Sheridan County Court consists of me as Clerk-Magistrate and a part time records clerk. Staffing of this court is similar to the staffing of small rural county courts across the state. While I understand the concerns of segregation of duties, it is impossible with limited staff to have more than one individual at times handle all of the financial transactions of the court. I take the requirements of financial accountability very seriously, and do everything possible to make sure that all financial transactions are receipted, deposited, and recorded as required, and will continue to do so.

With respect to overpaid funds held in a "holding account", I will make a concerted effort to review the "holding account" reports on a regular basis so that any overpaid funds are returned or applied as necessary.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2009), which is found in the Uniform Disposition of Unclaimed Property Act (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) provides that any property presumed abandoned under the Act, as of June 30, must be reported and remitted to the State Treasurer by November 1 of each year.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Unclaimed Property (Concluded)

During the attestation period, the County Court had six checks, totaling \$169, which were over three years old but were not reported and remitted to the State Treasurer's office as unclaimed property.

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

Clerk Magistrate's Response: Your report reflects that I failed to report and remit to the State Treasurer six checks totaling \$169.00. I will make a concerted effort to regularly review my office reports so that funds held by the court for more than three years are timely remitted to the State Treasurer as unclaimed property.

3. Overdue Balances

Good internal control and sound business practices require overdue 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.

During testing of six overdue balances, two, totaling \$78, did not have subsequent action taken, such as the issuance of warrants and/or suspensions or declaration of certain overdue balances as uncollectible, by the County Court to ensure collection and/or resolution of the balances. As of May 6, 2017, overdue balances, excluding restitution judgments, totaled \$77,502.

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

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

Clerk Magistrate's Response: I regularly receive reports of overdue balances. A majority of those overdue balances are fines/costs owing in criminal cases. When fines and/or costs are not paid in criminal cases either a warrant is issued for the defendants arrest or they are reported for their non-compliance with the Department of Motor Vehicles. There are also overdue balances in probate and juvenile cases. Some of those overdue balances have been overdue for a number of years. Neither a warrant nor reporting for non-compliance is an available remedy to collect those overdue balances in juvenile or probate cases.

Efforts are being made within the court to collect overdue balances. On those balances where it appears that they are and will continue to be uncollectible, I will consult with the judge to determine if those uncollected balances should be discharged as uncollectible, or if there is some other disposition the judge wants me to make with those balances.



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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 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.

June 2, 2017


Deann Haeffner, CPA
Assistant Deputy Auditor
Lincoln, Nebraska

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

For the Period Ending December 31, 2016

	Balance July 1, 2015	Additions	Deductions	Balance December 31, 2016
ASSETS				
Cash and Deposits	\$ 34,936	\$ 325,472	\$ 341,503	\$ 18,905
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,014	\$ 43,050	\$ 42,862	\$ 2,202
Law Enforcement Fees	238	4,265	4,309	194
State Judges Retirement Fund	802	16,695	16,713	784
Court Administrative Fees	1,264	21,316	21,726	854
Legal Services Fees	741	13,721	13,774	688
Due to County Treasurer:				
Regular Fines	5,156	92,217	93,361	4,012
Overload Fines	-	275	275	-
Regular Fees	1,040	12,640	13,497	183
Petty Cash Fund	500	-	-	500
Due to Municipalities:				
Regular Fines	-	100	100	-
Regular Fees	-	-	-	-
Trust Fund Payable	23,181	121,193	134,886	9,488
Total Liabilities	\$ 34,936	\$ 325,472	\$ 341,503	\$ 18,905

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, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 49,557	\$ 229,808	\$ 244,429	\$ 34,936
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,880	\$ 34,436	\$ 36,302	\$ 2,014
Law Enforcement Fees	330	3,245	3,337	238
State Judges Retirement Fund	949	10,786	10,933	802
Court Administrative Fees	1,464	15,773	15,973	1,264
Legal Services Fees	990	10,053	10,302	741
Due to County Treasurer:				
Regular Fines	9,363	74,875	79,082	5,156
Overload Fines	-	75	75	-
Regular Fees	567	20,085	19,612	1,040
Petty Cash Fund	500	-	-	500
Due to Municipalities:				
Regular Fines	100	220	320	-
Trust Fund Payable	31,414	60,260	68,493	23,181
Total Liabilities	\$ 49,557	\$ 229,808	\$ 244,429	\$ 34,936

The accompanying notes are an integral part of the schedule.

SHERIDAN 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 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 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.