

**ATTESTATION REPORT
OF
SHERMAN COUNTY COURT**

JULY 1, 2015, THROUGH DECEMBER 31, 2017

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Issued on March 14, 2018

SHERMAN COUNTY COURT

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SHERMAN COUNTY COURT

COMMENT AND RECOMMENDATION

During our examination of the Sherman County Court, we noted a certain deficiency and other operational matters that are presented here.

This comment and recommendation is intended to improve the internal control over financial reporting or result in operational efficiencies in the following area:

Segregation of Duties

The office of the County Court lacked a sufficient 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. The following errors were noted:

- A State fine was improperly assessed at \$350, but should have been \$300. Because of the improper fine amount, the defendant's license was at risk to be suspended despite full payment having been received by the Court.
- A closed case continued to carry a \$17 balance despite an order having been issued in 2012 indicating the balance was deemed uncollectible.

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.

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.

County Court's Response: The Clerk Magistrate is the only employee in the Sherman County Court. Although she may be the only one that handles all the financial duties, the State Court Administration has assigned a Financial Extra Duty Specialist to this court that overlooks and checks the courts voids, checks issued and balancing on a monthly basis.

It should be noted this report is critical in nature, as it contains only our comment and recommendation on the area 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 an opportunity to review the report and to respond to the comment and recommendation included in this report. The formal response received has been incorporated into this report. The response has been objectively evaluated and recognized, as appropriate, in the report. A response that indicates corrective action has been taken was not verified at this time, but it will be verified in the next examination.



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

SHERMAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Sherman County Court
Loup City, Nebraska 68853

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Sherman County Court as of and for the period July 1, 2015, to December 31, 2016, and the calendar year ending December 31, 2017. 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 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 calendar year ending December 31, 2017, is 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 Comment 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.



Zachary Wells, CPA
Audit Manager
Lincoln, Nebraska

March 12, 2018

SHERMAN COUNTY COURT
LOUP CITY, 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	\$ 9,716	\$ 135,214	\$ 134,405	\$ 10,525
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 821	\$ 27,976	\$ 28,153	\$ 644
Law Enforcement Fees	124	1,806	1,868	62
State Judges Retirement Fund	390	7,520	7,622	288
Court Administrative Fees	678	9,159	9,524	313
Legal Services Fees	446	6,748	6,916	278
Due to County Treasurer:				
Regular Fines	2,242	33,663	34,989	916
Overload Fines	-	4,400	4,275	125
Regular Fees	18	1,463	1,374	107
Petty Cash Fund	-	100	-	100
Due to Municipalities:				
Regular Fines	-	50	-	50
Trust Fund Payable	4,997	42,329	39,684	7,642
Total Liabilities	\$ 9,716	\$ 135,214	\$ 134,405	\$ 10,525

The accompanying notes are an integral part of the schedule.

SHERMAN COUNTY COURT
LOUP CITY, NEBRASKA
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS
AGENCY FUNDS

For the Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 10,525	\$ 66,531	\$ 68,937	\$ 8,119
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 644	\$ 12,758	\$ 12,886	\$ 516
Law Enforcement Fees	62	1,154	1,134	82
State Judges Retirement Fund	288	5,332	5,200	420
Court Administrative Fees	313	7,975	7,875	413
Legal Services Fees	278	4,720	4,645	353
Due to County Treasurer:				
Regular Fines	916	24,815	24,391	1,340
Overload Fines	125	1,800	1,625	300
Regular Fees	107	1,245	1,317	35
Petty Cash Fund	100	-	-	100
Due to Municipalities:				
Regular Fines	50	-	50	-
Trust Fund Payable	7,642	6,732	9,814	4,560
Total Liabilities	\$ 10,525	\$ 66,531	\$ 68,937	\$ 8,119

The accompanying notes are an integral part of the schedule.

SHERMAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Period Ended December 31, 2016, and Calendar Year Ended December 31, 2017

1. Criteria

A. Reporting Entity

The Sherman 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 Sherman 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.