

**ATTESTATION REPORT
OF
SHERIDAN COUNTY COURT**

JANUARY 1, 2017, THROUGH DECEMBER 31, 2018

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Issued on June 6, 2019

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:*** Contrary to State statute, the County Court did not report and remit a number of checks and a trust balance, all of which were over three years old, to the State Treasurer.
3. ***Case Balance Review:*** The Monthly Case Balance Report and the Overdue Case Balance Report were not reviewed, with corrective action taken when necessary, to resolve issues.

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 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.

We noted that the office of the County Court lacked a sufficient 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 may not be 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 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 myself, 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.

2. Unclaimed Property

Neb. Rev. Stat. § 69-1307.01 (Reissue 2018), 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 2018), requires any property presumed abandoned, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 annually.

During the audit, it was noted that seven checks, totaling \$126.92, were outstanding for over three years. One check was due to the State Treasurer by November 1, 2014, and six checks were due by November 1, 2016, November 1, 2017, and November 1, 2018 – two for each date.

It was also noted that one trust balance, totaling \$51, was not submitted to the State Treasurer as abandoned property in a timely manner. The refund check was issued on October 27, 2010, and was never cashed; therefore, it was due to the State Treasurer by November 1, 2014. However, it was not forwarded until October 30, 2017.

We recommend the County Court work to remit promptly to the State Treasurer all property in its possession that is presumed abandoned, as required by State statute.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Unclaimed Property (Concluded)

Clerk Magistrate's Response: The report reflects that I failed to report and remit to the State Treasurer seven checks totaling \$126.92. 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. In addition to this, it was found that a refund check was issued and never cashed. The check was not turned over to the State Treasurer until October 30, 2017. Once again I will make an effort to turn in all property that is presumed abandoned.

3. Case Balance Review

Good internal control requires the County Court to have procedures for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report, the Overdue Case Account Report, and the Report of Non-Case Receipts.

During the audit, the following was noted:

- Five overdue case balances, totaling \$1,193, were not being followed up on in a timely manner.
 - One case, with a balance due of \$400, had not had any follow up done since the warrant was returned in August 2017.
 - One case, with a balance due of \$518, had not had any follow up done since the warrant was returned in August 2017.
 - One case, with a balance due of \$197, has not had any activity since February 27, 2015.
 - One case, with a balance due of \$30, was dismissed on July 21, 2016. A letter was sent to the defendant on April 17, 2018, but no activity has been noted on the case since then.
 - One case, with a balance due of \$48, was dismissed on June 16, 2016. A letter was sent to the defendant on April 17, 2018, and returned on May 3, 2018, but no other activity has been noted on the case since then.
- Additionally, one case tested, with a balance due of \$134, had no action taken on the outstanding balance due from June 17, 2009, until October 3, 2017, when the defendant paid the balance owed.
- Three case balances held were not refunded in a timely manner. One overpayment of \$24 was received on August 7, 2015, and had not been refunded. The two other overpayments of \$198 and \$24 were received on April 2, 2015, and April 22, 2015, respectively. The overpayments have not been refunded and subsequently were due to be remitted to the State Treasurer as abandoned property by November 1, 2018.
- One non-case receipt tested, totaling \$124, was neither applied to a case nor refunded in a timely manner. The money was received on December 21, 2018, and has not been refunded or applied to a case as of the date of testing.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Case Balance Review (Concluded)

Without procedures to ensure an ongoing, detailed review of the County Court's monthly financial reports, including the Monthly Case Balance Report, the Overdue Case Account Report, and the Report of Non-Case Receipts, there is an increased risk of errors, omissions, and/or irregularities not being detected and resolved in a timely manner.

We recommend the County Court implement procedures for an ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report, the Overdue Case Account Report, and the Report of Non-Case Receipts, and the resolution of any questionable balances in a complete, accurate, and timely manner.

Clerk Magistrate's Response: The report states the Monthly Case Balance Report and the Overdue Case Balance Report were not reviewed, with corrective action taken when necessary. The Case Balance Review went over a number of cases that still had a balance due and where follow up was not completed. Due to this the court will review all monthly reports, refund money, turn money over to unclaimed property and properly examine all financial accounts within a more timely fashion.



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SHERIDAN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

Sheridan County Court
Rushville, Nebraska 69360

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 calendar years ending December 31, 2017, and December 31, 2018. 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 calendar years ending December 31, 2017, and December 31, 2018, 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 all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control; fraud and noncompliance with provisions of laws or regulations that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; and any other instances that warrant the attention of those charged with governance; noncompliance with provisions of contracts or grant agreements, and abuse that has a material effect on the subject matter or an assertion about the subject matter of the examination engagement. We are also required to obtain and report the views of management concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. 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.

The purpose of this report is to express an opinion on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions, as described in paragraph one above. Accordingly, this report is not suitable for any other purpose. This report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to read "C. Janssen", with a long horizontal flourish extending to the right.

June 4, 2019

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and Deposits	\$ 15,372	\$ 277,389	\$ 265,813	\$ 26,948
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,381	\$ 24,030	\$ 23,756	\$ 1,655
Law Enforcement Fees	203	2,447	2,519	131
State Judges Retirement Fund	1,074	11,370	11,834	610
Court Administrative Fees	1,067	12,189	12,299	957
Legal Services Fees	762	8,784	9,111	435
Due to County Treasurer:				
Regular Fines	2,093	55,840	52,058	5,875
Overload Fines	-	50	50	-
Regular Fees	162	7,742	7,643	261
Petty Cash Fund	500	-	-	500
Trust Fund Payable	8,130	154,937	146,543	16,524
Total Liabilities	\$ 15,372	\$ 277,389	\$ 265,813	\$ 26,948

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 Calendar Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deductions	Balance December 31, 2017
ASSETS				
Cash and Deposits	\$ 18,905	\$ 184,779	\$ 188,312	\$ 15,372
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,202	\$ 25,656	\$ 26,477	\$ 1,381
Law Enforcement Fees	194	2,618	2,609	203
State Judges Retirement Fund	784	11,434	11,144	1,074
Court Administrative Fees	854	13,501	13,288	1,067
Legal Services Fees	688	9,569	9,495	762
Due to County Treasurer:				
Regular Fines	4,012	62,358	64,277	2,093
Overload Fines	-	150	150	-
Regular Fees	183	5,151	5,172	162
Petty Cash Fund	500	-	-	500
Trust Fund Payable	9,488	54,342	55,700	8,130
Total Liabilities	\$ 18,905	\$ 184,779	\$ 188,312	\$ 15,372

The accompanying notes are an integral part of the schedule.

SHERIDAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2017, and December 31, 2018

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 or collected. 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 2018) to be secured either by a surety bond or as provided in the Public Funds Deposit Security Act.