

**ATTESTATION REPORT
OF
SHERIDAN COUNTY COURT**

JULY 1, 2010 THROUGH JUNE 30, 2012

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Issued on September 5, 2012

SHERIDAN COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 3
<u>Financial Section</u>	
Independent Accountant's Report	4 - 5
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2012	6
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Fiscal Year Ended June 30, 2011	7
Notes to Financial Schedules	8

SHERIDAN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of Sheridan County Court, we noted a certain deficiency in internal control that we consider to be a material weakness and other operational matters that are presented here.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial schedule will not be prevented, or detected and corrected on a timely basis.

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:*** Considered to be a material weakness, 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 trust balances, including outstanding checks, to the State Treasurer that were over three years old 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 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 them 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. Where no response has been included, the County Court declined to respond. 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 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 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 had a lack of 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; 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 noted 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 as abandoned. Neb. Rev. Stat. § 69-1310 (Reissue 2009), provides any unclaimed abandoned property, as of June 30 each year, must be reported and remitted to the State Treasurer by November 1 of each year.

The County Court did not report and remit any unclaimed property in 2011. During testing of June 30, 2011, trust balances and review of the County Court's June 30, 2011, bank reconciliation, the following was noted:

- One \$119 non-case receipt, related to an unfiled citation, which had been held by the County Court for more than three years.
- One \$1 check had been outstanding for more than three years.

As of August 23, 2012, neither of these items had been reported and remitted to the State Treasurer in accordance with the Unclaimed Property Act.

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

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

3. Overdue Balances

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

During testing of twelve overdue balances, seven, totaling \$872, 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 May 21, 2011, overdue balances, excluding restitution judgments, totaled \$53,163. As of August 18, 2012, overdue balances, excluding restitution judgments, totaled \$69,838; an increase of \$16,675, or 31.4%, in 15 months.

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

This finding was also noted in the County Court's prior attestation report.

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

County Court's Overall Response: We have been short staffed from August 2011 to mid February 2012, with a full time person out on medical leave. She has returned to work but continues to be on medical leave for 50 or more hours monthly for on going treatment. We are working as much as possible with the time and staff we have to review the Overdue Case Accounts and to complete and remit funds for the Unclaimed Property Report and continue to complete the necessary daily requirements of this office.



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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 Sheridan County Court as of and for the fiscal years ended June 30, 2012, and June 30, 2011. 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 Sheridan County Court as of June 30, 2012, and June 30, 2011, 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 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 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.

Signed Original on File

August 23, 2012

Deann Haeffner, CPA
Assistant Deputy Auditor

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, 2012

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
ASSETS				
Cash and Deposits	\$ 46,507	\$ 232,031	\$ 235,545	\$ 42,993
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 3,803	\$ 27,900	\$ 29,434	\$ 2,269
Law Enforcement Fees	256	3,160	3,118	298
State Judges Retirement Fund	890	10,769	10,696	963
Court Administrative Fees	1,268	16,171	16,162	1,277
Legal Services Fees	770	10,015	9,819	966
Due to County Treasurer:				
Regular Fines	7,008	74,969	76,662	5,315
Overload Fines	-	975	975	-
Regular Fees	694	5,100	5,682	112
Trust Fund Payable	31,818	82,972	82,997	31,793
Total Liabilities	<u>\$ 46,507</u>	<u>\$ 232,031</u>	<u>\$ 235,545</u>	<u>\$ 42,993</u>

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, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
ASSETS				
Cash and Deposits	\$ 45,622	\$ 191,549	\$ 190,664	\$ 46,507
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 2,425	\$ 31,961	\$ 30,583	\$ 3,803
Law Enforcement Fees	211	2,960	2,915	256
State Judges Retirement Fund	854	10,564	10,528	890
Court Administrative Fees	1,115	15,971	15,818	1,268
Legal Services Fees	760	9,569	9,559	770
Due to County Treasurer:				
Regular Fines	5,780	72,299	71,071	7,008
Regular Fees	179	7,952	7,437	694
Due to Municipalities:				
Regular Fines	35	-	35	-
Trust Fund Payable	34,263	40,273	42,718	31,818
Total Liabilities	<u>\$ 45,622</u>	<u>\$ 191,549</u>	<u>\$ 190,664</u>	<u>\$ 46,507</u>

The accompanying notes are an integral part of the schedule.

SHERIDAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2012, and June 30, 2011

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.