

**ATTESTATION REPORT
OF
SHERMAN COUNTY COURT**

JANUARY 1, 2018, THROUGH DECEMBER 31, 2019

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Issued on March 30, 2020

SHERMAN COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2
<u>Financial Section</u>	
Independent Accountant's Report	3 - 4
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2019	5
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Agency Funds - For the Calendar Year Ended December 31, 2018	6
Notes to Financial Schedules	7

SHERMAN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Sherman County Court, we noted certain deficiencies and other operational matters that are presented here. The following comments are required to be reported in accordance with *Government Auditing Standards*: Comment #1, “Segregation of Duties,” and #2, “Unclaimed Property,” which are considered to be material weaknesses.

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.

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.

SHERMAN 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 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 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: I am a one person court and do not have anyone to oversee my transactions. With the addition of the Financial Specialist under the direction of the Administrative Office of the Courts, we are doing everything we can in regards to segregation of duties.

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.

Additionally, a good internal control plan includes procedures to ensure unclaimed property is remitted to the State Treasurer in compliance with the Unclaimed Property Act.

During the audit, it was noted that one check for \$24 was outstanding for over three years and had not been remitted as unclaimed property. The check should have been remitted by November 2019. Additionally, we noted that the County Court had two investments with a combined carrying value of \$3,688 that it remitted as unclaimed property but did not do so in a timely manner. One investment, with a carrying value of \$53, was received in August 2011 and should have been remitted as unclaimed property by November 2015. The other investment, with a carrying value of \$3,635, was received in February 2013 and should have been remitted as unclaimed property by November 2016. However, both investments were remitted as unclaimed property in January 2018.

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.

Clerk Magistrate's Response: A copy of a letter that was mailed to the Nebraska State Treasurer, along with the check for the unclaimed property, explaining why the funds were not delivered at an earlier time was provided. At the completion of this audit, this court has implemented a practice that when a check is uncashed for a period of 6 months and attempts of contacting the party the check was issued to have failed, it will go through the process as explained in the State of Nebraska Judicial Branch County Court Procedures Manual and Checklists.



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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 calendar years ending December 31, 2018, and December 31, 2019. 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, 2018, and December 31, 2019, 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 Schedule 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 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.

The purpose of this report is to express an opinion on the Schedule 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.

March 30, 2020

Charlie Janssen
Auditor of Public Accounts
Lincoln, Nebraska

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, 2019

	Balance January 1, 2019	Additions	Deductions	Balance December 31, 2019
ASSETS				
Cash and Deposits	\$ 5,268	\$ 69,666	\$ 68,655	\$ 6,279
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 418	\$ 15,269	\$ 14,927	\$ 760
Law Enforcement Fees	64	1,111	1,065	110
State Judges Retirement Fund	334	6,001	5,789	546
Court Administrative Fees	357	5,512	5,356	513
Legal Services Fees	270	4,587	4,400	457
Due to County Treasurer:				
Regular Fines	2,000	16,806	17,271	1,535
Overload Fines	-	2,200	1,875	325
Regular Fees	74	1,510	1,419	165
Petty Cash Fund	100	-	-	100
Municipality Fines		110	110	-
Trust Fund Payable	1,651	16,560	16,443	1,768
Total Liabilities	\$ 5,268	\$ 69,666	\$ 68,655	\$ 6,279

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, 2018

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
ASSETS				
Cash and Deposits	\$ 8,119	\$ 63,783	\$ 66,634	\$ 5,268
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 516	\$ 11,600	\$ 11,698	\$ 418
Law Enforcement Fees	82	1,192	1,210	64
State Judges Retirement Fund	420	6,361	6,447	334
Court Administrative Fees	413	8,006	8,062	357
Legal Services Fees	353	5,026	5,109	270
Due to County Treasurer:				
Regular Fines	1,340	21,315	20,655	2,000
Overload Fines	300	900	1,200	-
Regular Fees	35	1,207	1,168	74
Petty Cash Fund	100	-	-	100
Municipality Fines	-	440	440	-
Trust Fund Payable	4,560	7,736	10,645	1,651
Total Liabilities	\$ 8,119	\$ 63,783	\$ 66,634	\$ 5,268

The accompanying notes are an integral part of the schedule.

SHERMAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2018, and December 31, 2019

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 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.