

**ATTESTATION REPORT
OF
SHERIDAN COUNTY COURT**

JANUARY 1, 2021, THROUGH DECEMBER 31, 2022

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Issued on June 27, 2023

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Audit Staff Working On This Examination

Kris Kucera, CPA, CFE – Assistant Deputy Auditor

Rachel Wittler, CPA, CFE – Audit Manager

Haylee O'Dey – Auditor I

Our reports can be found electronically at: auditors.nebraska.gov

Additionally, you may request them by contacting us at:

Nebraska Auditor of Public Accounts

State Capitol, Suite 2303

P.O. Box 98917

Lincoln, Nebraska 68509

Phone: 402-471-2111

SHERIDAN COUNTY COURT

TABLE OF CONTENTS

	<u>Page</u>
<u>Comments Section</u>	
Summary of Comments	1
Comments and Recommendations	2 - 4
<u>Financial Section</u>	
Independent Accountant's Report	5 - 6
Financial Schedules:	
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2022	7
Schedule of Changes in Assets and Liabilities Arising from Cash Transactions - Custodial Funds - For the Calendar Year Ended December 31, 2021	8
Notes to Financial Schedules	9

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 comments are required to be reported in accordance with *Government Auditing Standards*: Comment #2, "Overdue Balances," which is considered to be a significant deficiency, and 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. ***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.
3. ***Monthly Case Balances:*** The County Court did not review its trust balances on an ongoing, timely basis to ensure 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 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, as one person was capable of handling all aspects of processing transactions from beginning to end. Additionally, staff could create and issue orders affixed with the Judge's signature in the JUSTICE (Judicial User System to Improve Court Efficiency) application without formal documentation to support that the Judge approved the order. That same staff had access to court receipts and were able to record non-monetary transactions (e.g., waiving fines) in JUSTICE. We further noted that Sheridan County Court access had also been given to three other Clerk Magistrates who were not employees of the Sheridan County Court.

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. We also recommend the Supreme Court implement procedures to ensure that each Judge's approval of orders is formally documented.

County Court's Response: The Administrative Office of the Courts and Probation (AOC) accepts that there is a risk from one person having the authority to initiate and complete financial transactions. To reduce the risk of improper transactions, court financial specialists review court records and provide assistance to county courts if there are discrepancies. However, the Judicial Branch does not have the financial and human resources to mitigate all risks related to segregation of duties sufficient to meet current audit guidelines. As a result, in order to fulfill all statutory obligations, the AOC has determined that all clerk magistrates will have the authority to operate all financial functions of a court.

2. Overdue Balances

Good internal control and sound business practices require the County Court to review its overdue balances, through an ongoing, timely inspection of its Overdue Case Account reports, to determine what action should be taken to collect or otherwise resolve the balances listed therein.

For 9 of 10 overdue balances tested, totaling \$990, the County Court failed to take action, such as the issuance of warrants and/or suspensions or the declaration of certain balances as uncollectible, to ensure collection and/or resolution of those balances.

We noted the following:

- For six criminal cases tested with overdue balances of \$696, the County Court had not taken action to resolve the balances owed for a period ranging from October 2013 to March 2019.
- For one criminal case tested with an overdue balance of \$132, the defendant was sentenced to jail in March 2023; however, the defendant did not report to jail, and the County Court failed to follow up on this case until inquiry in April 2023.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Continued)

2. Overdue Balances (Concluded)

- For one criminal case tested with an overdue balance of \$31, the defendant sat out costs in jail in January 2023; however, the County Court failed to enter a non-monetary receipt to waive the remaining costs until inquiry in April 2023.
- For one criminal case tested with an overdue balance of \$131, a warrant returned in September 2022 stated that the defendant was deceased; however, the County Court failed to enter a non-monetary receipt to waive the remaining costs until inquiry in April 2023.

As of March 31, 2023, overdue balances, excluding restitution judgments, totaled \$68,389. During testing, we noted two other receipts for which a non-monetary receipt was not issued in a timely manner, as follows:

- For one civil case tested, a balance of \$12 was showing as due on the case despite a satisfaction having been filed in November 2022.
- For one criminal case tested, a non-monetary receipt, totaling \$15, was issued in December 2022; however, the fees were ordered waived in August 2022, almost four months prior.

Without a regular review of overdue case balances, through an ongoing, timely inspection of Overdue Case Account reports, there is an increased risk of overdue balances either not having proper follow-up action taken or having been previously resolved and no longer needing to be reflected as overdue.

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

County Court's Response: The County Court will strive to review the overdue balances, with corrective action taken when necessary. The Overdue Case Account Review went over several cases that still had a balance due and where follow up was not completed. The Court staff will review the Overdue Case Account reports, and properly examine all financial accounts within a timelier fashion. In addition to this, contact with those who have outstanding balances will be an objective for the county court to collect monies due. Notes will be made in individual cases to reflect attempts that are made to contact or resolve the issues.

3. Monthly Case Balances

While reviewing the Monthly Case Balance Report and Non-Case Receipts Report, we noted that the County Court failed to take adequate action to ensure the proper and timely resolution of three case balances, totaling \$167.

During testing, the following was noted:

- One traffic case tested held a balance, totaling \$25, that was receipted as an overpayment; however, the County Court had failed to include a charge on the case and the associated fine of \$25. Due to this error, the County Court attempted to refund the misapplied \$25 back to the defendant in January 2020.
- One traffic case tested held a balance, totaling \$68, that was the result of an overpayment from October 2021. The Court did not attempt to refund the overpayment until March 2022, over five months later.
- One non-case receipt, totaling \$74, was received in November 2021; however, the County Court did not attempt to refund the balance until August 2022, almost eight months later.

SHERIDAN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

3. Monthly Case Balances (Concluded)

Good internal controls and sound business practices require procedures for an ongoing, detailed review of monthly financial reports, including the Monthly Case Balance Report and Non-Case Receipt Report, to determine what action should be taken, if any, to resolve the balances held.

Without such procedures, 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 and Non-Case Receipts Report, and resolve any unusual or improper balances noted therein in a complete, accurate, and timely manner.

County Court's Response: The report states the Monthly Case Balance Report was not reviewed, with corrective action taken when necessary. The Court will monitor and review the Monthly Case Account reports, and make adjustments as needed. In addition, the court will properly examine all financial accounts within a timelier fashion.



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
auditors.nebraska.gov

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, 2021, and December 31, 2022. The County Court's management is responsible for the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions based on the accounting system and procedures set forth in Note 1. Our responsibility is to express an opinion on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities Arising from Cash Transactions, 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.

We are required to be independent and to meet our ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions for the calendar years ending December 31, 2021, and December 31, 2022, 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; noncompliance with provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Schedules of Changes in Assets and Liabilities Arising from Cash Transactions; fraud that is material, either quantitatively or qualitatively, to 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. 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 of Changes in Assets and Liabilities Arising from Cash Transactions 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 of Changes in Assets and Liabilities

Arising from Cash Transactions 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 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.



June 22, 2023

Mike Foley
Auditor of Public Accounts
Lincoln, Nebraska

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

For the Calendar Year Ended December 31, 2022

	Balance January 1, 2022	Additions	Deductions	Balance December 31, 2022
ASSETS				
Cash and Deposits	\$ 52,531	\$ 272,209	\$ 296,488	\$ 28,252
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 7,807	\$ 36,793	\$ 42,983	\$ 1,617
Law Enforcement Fees	164	2,704	2,650	218
State Judges Retirement Fund	857	14,572	14,215	1,214
Court Administrative Fees	503	11,702	11,438	767
Legal Services Fees	640	9,391	9,290	741
Due to County Treasurer:				
Regular Fines	4,837	73,601	73,012	5,426
Overload Fines	-	-	-	-
Regular Fees	2,288	11,862	14,052	98
Petty Cash Fund	500	-	-	500
Municipality Fines	100	1,015	775	340
Trust Fund Payable	34,835	110,569	128,073	17,331
Total Liabilities	\$ 52,531	\$ 272,209	\$ 296,488	\$ 28,252

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
CUSTODIAL FUNDS

For the Calendar Year Ended December 31, 2021

	Balance January 1, 2021	Additions	Deductions	Balance December 31, 2021
ASSETS				
Cash and Deposits	\$ 22,506	\$ 261,371	\$ 231,346	\$ 52,531
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,085	\$ 32,974	\$ 26,252	\$ 7,807
Law Enforcement Fees	156	2,294	2,286	164
State Judges Retirement Fund	778	10,778	10,699	857
Court Administrative Fees	793	10,754	11,044	503
Legal Services Fees	612	7,986	7,958	640
Due to County Treasurer:				
Regular Fines	2,470	67,092	64,725	4,837
Overload Fines	-	500	500	-
Regular Fees	158	15,393	13,263	2,288
Petty Cash Fund	500	-	-	500
Municipality Fines	-	450	350	100
Trust Fund Payable	15,954	113,150	94,269	34,835
Total Liabilities	\$ 22,506	\$ 261,371	\$ 231,346	\$ 52,531

The accompanying notes are an integral part of the schedule.

SHERIDAN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES

For the Calendar Years Ending December 31, 2021, and December 31, 2022

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 Custodial 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 Custodial 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.