



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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June 7, 2024

David Scheideler, County Sheriff
Valley County
125 S. 15th Street
Ord, NE 68862

Dear Mr. Scheideler:

As you may know, the Nebraska Auditor of Public Accounts (APA) has received concerns regarding the Valley County (County) Sheriff's office procedures, particularly involving the Inmate bank account. As a result, the APA began limited preliminary planning work to determine if a full financial audit or attestation would be warranted. Pursuant thereto, the APA obtained financial records and other relevant documentation from the County Sheriff. Based on the outcome of this preliminary planning work, including an analysis of the information obtained, the APA has determined that a separate financial audit or attestation is unnecessary at this time. Nevertheless, during the course of the preliminary planning work, the APA noted certain issues that merit corrective action.

Background Information

Valley County, Nebraska, (County) is a political subdivision established under and governed by the laws of the State of Nebraska (State). The County Board of Supervisors (Board) is the governmental body responsible for exercising financial accountability and control over activities relevant to the operations of the County.

The County Sheriff is elected by the public and has authority over the operations of the County Sheriff's office. Casey D. Hurlburt was originally appointed as County Sheriff on May 1, 2008. Subsequently, he was elected to a full four-year term in 2010 and then re-elected three more times. Effective March 19, 2024, however, Mr. Hurlburt resigned from his position as County Sheriff, having agreed to surrender his law enforcement license while pleading no contest to a charge of attempted insurance fraud in the Valley County District Court.

On April 30, 2024, the County Board appointed David Scheideler as the County Sheriff to fill the remainder of his predecessor's term of office.

Between January 1, 2023, and February 29, 2024, the County Sheriff's office maintained six bank accounts and a petty cash fund. Further, the County Sheriff held cash on hand as evidence for several cases. The following table details the activity and ending balance as of February 29, 2024, for each bank account and cash fund maintained by the County Sheriff:

	Inmate Bank Account	Fee Bank Account	Petty Cash Bank Account	Bail Bonds Bank Account	Santa Bank Account	K-9 Bank Account	Petty Cash	^Cash Held as Evidence	Total
Beginning Balance*	\$ -	\$ 19,883.84	\$ 3,917.47	\$ 851.99	\$1,990.85	\$1,234.17	\$20.00	\$6,033.00	\$ 33,931.32
Total Receipts	241,121.80	74,676.10	10,619.64	13,502.00	100.00	1,000.00	-	-	341,019.54
Disbursements To:									
County Treasurer	-	(72,502.65)	(8,084.08)	-	-	(1,720.25)	-	-	(82,306.98)
Others	(238,617.18)	-	(1,567.73)	(14,002.00)	-	(513.92)	-	-	(254,700.83)
Total Disbursements	(238,617.18)	(72,502.65)	(9,651.81)	(14,002.00)	-	(2,234.17)	-	-	(337,007.81)
Ending Balance	\$ 2,504.62	\$ 22,057.29	\$ 4,885.30	\$ 351.99	\$2,090.85	\$ -	\$20.00	\$6,033.00	\$ 37,943.05

*Beginning balances are as of January 1, 2023, except for the Inmate Bank Account, which is as of October 1, 2022, and the K-9 Bank Account, which is as of December 13, 2022.

^The County Sheriff's Office does not track the amount of cash held as evidence. This is the amount held as of April 3, 2024. See **Comment and Recommendation Number 7** ("Control Environment and Other Issues") herein.

The following comments and recommendations, which have been discussed with the appropriate members of the County and its management, are intended to improve internal control or result in other operating efficiencies.

Comments and Recommendations

1. Negative Bank Balances

While reviewing the monthly statements for the County Sheriff’s six bank accounts, the APA noted that the balance of the Inmate account was negative twice between January 2023 and February 2024. Additionally, the Bail Bonds account had a negative balance once during this time period. The table below summarizes these negative balances:

Account	Period	Largest Negative Balance
Inmate Account	07/28/2023 - 08/01/2023	\$ 2,720.99
Inmate Account	09/28/2023 - 09/29/2023	4.77
Bail Bonds Account	04/25/2023 - 04/26/2023	148.01

Upon further review of activity in these bank accounts, the negative balances therein appear to have been caused primarily by a failure to make timely deposits of funds to them.

For the largest negative balance in July and August 2023, the County Sheriff’s office received \$2,500 from an inmate for a bond payment on July 26, 2023. This payment was deposited into the kiosk at the County Sheriff’s office and remained locked there until it was taken to the bank. The County Sheriff’s office then issued check #1126 to the Valley County District Court on July 27, 2023, with the check clearing the bank the next day; however, this \$2,500 was not deposited into the Inmate account until August 1, 2023. Thus, the County Sheriff’s office disbursed the bond funds prior to depositing them into the bank account, resulting in a negative balance. As of July 31, 2023, the County Sheriff was holding \$4,809 that had not yet been deposited into the Inmate account, resulting in the negative bank balance shown above for that account.

The other negative bank balances observed appear to have been caused by similarly delayed bank deposits. The APA noted, however, that the County Sheriff incurred no overdraft fees as a result of these negative balances.

Good internal controls require procedures to ensure that funds are deposited timely to the appropriate bank accounts, and payments are not issued until sufficient funds are available in those accounts to cover the disbursements. Without such procedures, there is an increased risk for not only loss, misuse, or theft of public funds but also potential overdraft fees.

We recommend the County Sheriff implement procedures to ensure funds are deposited timely to the appropriate bank accounts, and payments are not issued until sufficient funds are available in those accounts to cover the disbursements.

2. Inaccurate Bank Reconciliations

During review of the bank reconciliations performed by the County Sheriff’s office, we noted the following:

- For the County Sheriff’s Fee bank account, a deposit of \$2,281.90 was made on February 29, 2024, and did not clear the bank until March 4, 2024; however, this deposit was not included on the bank reconciliation for February 2024, nor was it included in the book balance maintained by the County Sheriff’s office.
- For the County Sheriff’s Fee bank account, a deposit of \$195 was made on November 29, 2023; however, the bank account was credited only \$190. This was not noted during the bank reconciliation and, as of February 29, 2024, had not been corrected.

- For the County Sheriff’s Petty Cash bank account, the following checks were outstanding as of February 29, 2024; however, they were not included on the February 2024 bank reconciliation. Though noted on the previous months’ reconciliations, it does not appear these checks were voided or cleared the bank.

Check #	Check Date	Amount
2590	06/08/2023	\$ 15.63
2608	11/01/2023	3.23
Total		\$ 18.86

- The County Sheriff’s office does not maintain separate book balances or perform monthly bank reconciliations for its Bail Bonds, K-9, or Santa bank accounts.

Good internal controls require procedures to ensure that accurate book balances are maintained for each bank account, and proper bank reconciliations are performed on a monthly basis, with variances being investigated and corrected timely. Those same procedures should ensure also that the reconciliations contain all outstanding items.

Without such procedures, there is an increased risk for the loss, misuse, or theft of public funds.

We recommend the County Sheriff implement procedures to ensure: 1) accurate book balances are maintained for each bank account, and proper bank reconciliations are performed on a monthly basis, with variances being investigated and corrected timely; and 2) bank reconciliations contain all outstanding items.

3. Lack of Asset-to-Liability Reconciliations

In addition to the lack of accurate bank reconciliations, it was noted that the County Sheriff’s office failed to perform monthly asset-to-liability reconciliations for any bank accounts or other funds held. The lack of asset-to-liability reconciliations gave rise to the following issues:

- The County Sheriff’s Inmate bank account contained a known cash long of \$271.50 due to errors in accounting and an unknown cash short of \$280.05. The table below summarizes the cash short as of February 29, 2024:

Assets – As of February 29, 2024	
Reconciled Bank Balance	\$ 1,869.57
Cash on Hand	330.00
Receivables	25.00
Total Assets	\$ 2,224.57
Liabilities – As of February 29, 2024	
Unremitted County Fees	\$ 600.00
Due to Others	1,633.12
Known Long – Due to Others – Accounting Errors	271.50
Total Liabilities	\$ 2,504.62
Unknown Cash Short	\$ (280.05)

The cash long shown above is owed to four inmates. The following table details the amount due to each inmate and a brief description of the cause of the long:

Inmate	Amount	APA Notes
Inmate #1	\$ 250.00	Inmate paid \$250 for an evaluation; funds still held in bank account as of February 29, 2024.
Inmate #2	4.00	Inmate was released and owed \$4; funds were not released to inmate.
Inmate #3	0.50	Inmate paid \$17.50 for a bond. Actual amount due was \$17, and \$0.50 was not returned to inmate.
Inmate #4	17.00	Inmate paid \$17 for bond. Bond was cancelled, and amount was not returned to inmate.
Total	\$ 271.50	

- The County Sheriff's Fee bank account contained an unknown cash long of \$8,935.26. The table below summarizes the cash long as of February 29, 2024:

Assets – As of February 29, 2024	
Reconciled Bank Balance	\$ 22,052.29
Receivables	5.00
Total Assets	\$ 22,057.29
Liabilities – As of February 29, 2024	
Unremitted County Fees	\$ 13,122.03
Total Liabilities	\$ 13,122.03
Unknown Cash Long	\$ 8,935.26

- The County Sheriff's Petty Cash bank account contained an unknown cash short of \$588.66. The table below summarizes the cash short as of February 29, 2024:

Assets – As of February 29, 2024	
Reconciled Bank Balance	\$ 3,686.28
Receivables	610.36
Total Assets	\$ 4,296.64
Liabilities – As of February 29, 2024	
Unremitted County Fees	\$ 1,863.10
Petty Cash	3,000.00
Due to Others	22.20
Total Liabilities	\$ 4,885.30
Unknown Cash Short	\$ (588.66)

Additionally, while comparing the bank deposits between January 2023 and February 2024 to the book activity for the same period, the APA noted an unknown variance of \$330.66 that was deposited into the bank account, but not recorded as book activity. Due to inadequate records, this variance could not be explained; however, it is possible that this variance is due to cash on hand or to incomplete accounts receivable records, as the County Sheriff's office does not maintain a monthly accounts receivable listing.

- The County Sheriff's Bail Bonds bank account had a balance of \$351.99 as of February 29, 2024. The County Sheriff was unable to determine to whom this amount was due or what receipts comprised it.

Good internal controls require procedures to ensure that office assets (cash on hand, reconciled bank balances, and accounts receivable) agree with office liabilities (fees on hand, trust accounts, and accounts payable), and any variances noted are resolved timely.

Without such procedures, there is an increased risk for the loss, misuse, or theft of County funds.

We recommend the County Sheriff implement procedures to ensure that office assets (cash on hand reconciled bank balances, and accounts receivable) agree with office liabilities (fees on hand, trust accounts, and accounts payable), and any variances noted are resolved timely.

4. Donation Bank Accounts

The APA was informed that the two bank accounts maintained by the County Sheriff to receive donations were not established under the Federal Tax Identification Number (FTIN) of the County. Instead, these accounts were opened as personal bank accounts under the former County Sheriff and former Office Manager. Because both accounts had been closed as of late April 2024, the APA did not confirm that they were established under an FTIN other than that used by the County.

As of February 29, 2024, the County Sheriff's Santa bank account had a balance of \$2,090.85. This balance was comprised wholly of donations received by the County Sheriff's office and was to be used to purchase Christmas presents and supplies for families in need. Between January 2023 and February 2024, no disbursements or

purchases were made from this bank account. Donations received by the County Sheriff's office were deposited into this bank account and were not remitted to the County Treasurer, per State statute. On April 25, 2024, this bank account was closed, and the balance of \$2,090.85 was donated to Make Christmas Happen, Inc., a local non-profit entity. This disbursement was made without the approval of the County Board and did not go through the claim and warrant process used by the County.

Additionally, the County Sheriff previously held a bank account for donations received to benefit the County's K-9 police dog. Similar to the County Sheriff's Santa bank account, donations received by the County Sheriff's office were deposited into the bank account held by the County Sheriff and were not remitted to the County Treasurer. On January 19, 2024, this bank account was closed, and the balance of \$1,720.25 was remitted to the County Treasurer.

Between December 13, 2022, and January 19, 2024, the County Sheriff's office made eight debit card purchases, totaling \$513.92, from the County Sheriff's K-9 bank account at Orscheln Farm & Home and Tractor Supply Company. Upon review of seven receipts associated with these purchases, totaling \$451.93, the expenditures were made for dog food or other pet supplies, which appear reasonable for this account. These purchases were made, however, without the approval of the County Board and did not go through the claim and warrant process used by the County.

Per Neb. Rev. Stat. § 13-503(7) (Reissue 2022) of the Nebraska Budget Act (Act), the term "public funds" means "all money, including nontax money, used in the operation and functions of governing bodies." Any funds received by a County officer or employee, in his or her official capacity – including "custodial" or "special purpose" funds that are segregated for a particular purpose, such as the donations to the County Santa program or County K-9 – constitute County monies subject to the exclusive custody, control, and oversight of the County.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2022) provides the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

(Emphasis added.) Good internal controls require procedures to ensure that all funds received, including donations, for use by the County are deposited into bank accounts under the County's FTIN and remitted promptly to the County Treasurer. Further, such procedures should ensure that all purchases are made through the claim and warrant process and properly approved by the County Board.

Without such procedures, there is an increased risk for not only loss or misuse of public funds but also noncompliance with State statute.

We recommend the County Sheriff implement procedures to ensure that all funds, including donations, received for use by the County are deposited into bank accounts under the County's FTIN and remitted promptly to the County Treasurer. Further, we recommend those same procedures ensure all purchases with such funds are made through the claim and warrant process and properly approved by the County Board.

5. Petty Cash Balance

The County Sheriff has two authorized petty cash funds. First, the County Sheriff has an authorized petty cash fund of \$3,000 for civil process fees. This amount is held in the County Sheriff's Petty Cash bank account. The second authorized petty cash fund, in the amount of \$100, is kept in the office to be used for making change. Per discussion with the County Sheriff's office, only \$20 is kept in the office. The County Sheriff's office was unable to provide documentation for the remaining \$80. Based on discussion with the County Clerk, moreover, the APA was unable to determine if the County Sheriff received the full \$100 when the petty cash fund was authorized.

Neb. Rev. Stat. § 23-106(2) (Reissue 2022) states the following:

The county board shall have the authority to establish a petty cash fund for such county for the purpose of making payments for subsidiary general operational expenditures and purchases. Such county board shall set, by resolution of the board, the amount of money to be carried in such petty cash fund and the dollar limit of an expenditure from such fund and such amount shall be stated in the fiscal policy of the county board budget message.

Good internal controls require procedures to ensure that petty cash funds are maintained, reconciled to, and reported at the amounts authorized by the County Board.

Without such procedures, there is an increased risk for the loss, misuse, or theft of County funds.

We recommend the County Sheriff implement procedures to ensure that petty cash funds are maintained, reconciled to, and reported at the amounts authorized by the County Board.

6. Bank Service Charges

The County Sheriff's Inmate bank account was opened in August 2022. Between August 2022 and February 2024, the County Sheriff's office was charged \$25 of bank service charges. These charges were not reversed by the bank, nor were claims submitted to the County Board for reimbursement of these charges. These charges appear as receivables in the asset-to-liability reconciliation shown in **Comment and Recommendation Number 3** ("Lack of Asset-to-Liability Reconciliations") herein and are not included in the unknown short noted.

Neb. Rev. Stat. § 23-135(1) (Reissue 2022) provides, in part, the following:

All claims against a county shall be filed with the county clerk within ninety days from the time when any materials or labor, which form the basis of the claims, have been furnished or performed

Good internal controls require procedures to ensure that claims for reimbursement are submitted timely for all fees incurred by the County Sheriff's office.

Without such procedures, there is an increased risk of the loss or misuse of County funds.

We recommend the County Sheriff implement procedures to ensure that claims for reimbursement are submitted timely for all fees incurred by the County Sheriff's office.

7. Control Environment and Other Issues

We noted that the County Sheriff lacked a segregation of duties throughout the office, as one person could handle all aspects of processing a transaction 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.

Furthermore, we noted the following issues:

- The County Sheriff was unable to provide receipts for donation or bond funds received and deposited into the County Sheriff's Bail Bonds, Santa, or K-9 bank accounts. See **Comment and Recommendation Number 4** ("Donation Bank Accounts") herein for additional information regarding the Santa and K-9 accounts and their respective funds. From January 2023 through February 2024, the Bail Bonds bank account received \$13,502. The Santa bank account received \$100 in February 2024, and the K-9 bank account received \$1,000 in December 2022.
- The APA was informed that, for a deposit of \$100 into the County Sheriff's Santa bank account in February 2024, the bookkeeper found a check pinned to the bulletin board in the County Sheriff's office. This amount was deposited into the bank account. The County Sheriff's office lacked controls to ensure that donation checks received were handled appropriately, deposited timely, and given to the proper individual.
- The County Sheriff deposited \$500 into the Bail Bonds bank account prior to January 2023; however, this amount was not paid out to the Valley County Court until August 2023, over seven months after it was received.

- The County Sheriff’s office does not maintain a log or record of cash held as evidence. Consequently, the County Sheriff would be unable to perform a periodic review to ensure that all cash held is properly accounted for. As of April 3, 2024, the County Sheriff’s office was holding \$6,033 of cash as evidence.
- During testing in March 2024, the County Sheriff’s quarterly fee report for the quarter ended December 2023 had not been fully completed. The months of November and December 2023 were only partially completed.
- Between January 2023 and February 2024, the County Sheriff collected \$450 from other counties for inmate boarding, which was not remitted to the County Treasurer in a timely manner. As of February 29, 2024, those receipts were still held in the County Sheriff’s Fee bank account. The following table summarizes when the County Sheriff’s office collected the boarding fees:

Month Collected	Amount
February 2023	\$ 50
July 2023	350
September 2023	50
Total	\$ 450

Neb. Rev. Stat. § 33-117(3) (Reissue 2016) provides the following:

The sheriff shall, on the first Tuesday in January, April, July, and October of each year, make a report to the county board showing (a) the different items of fees, except mileage, collected or earned, from whom, at what time, and for what service, (b) the total amount of the fees collected or earned by the officer since the last report, and (c) the amount collected or earned for the current year. He or she shall pay all fees earned to the county treasurer who shall credit the fees to the general fund of the county.

Neb. Rev. Stat. § 23-1601(1) (Reissue 2022) provides the following:

It is the duty of the county treasurer to receive all money belonging to the county, from whatsoever source derived and by any method of payment provided by section 77-1702, and all other money which is by law directed to be paid to him or her. All money received by the county treasurer for the use of the county shall be paid out by him or her only on warrants issued by the county board according to law, except when special provision for payment of county money is otherwise made by law.

(Emphasis added.) Good internal control includes a plan of organization, procedures, and records designed to safeguard assets and 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. Furthermore, those same controls should include procedures to ensure the following: 1) receipts are issued for all funds received by the office, regardless of the type of funds; 2) all checks received are properly and promptly given to the correct individual and deposited into the appropriate bank account; 3) bond payments to courts are made timely after receiving such funds; 4) a log of cash held as evidence is maintained and periodic reviews of cash evidence are performed; 5) quarterly fee reports are fully completed as required by State statute; and 6) all fees collected are remitted to the County Treasurer in a timely manner.

Without such procedures, there is an increased risk of loss, misuse, or theft of public funds.

We recommend the County review this situation. As always, the County must weigh the cost of hiring additional personnel versus the benefit of a proper segregation of duties. Furthermore, we recommend the County Sheriff implement procedures to ensure the following: 1) receipts are issued for all funds received by the office, regardless of the type of funds; 2) all checks received are properly and promptly given to the correct individual and deposited into the appropriate bank account; 3) bond payments to courts are made timely after receiving such funds; 4) a log of cash held as evidence is maintained, and periodic reviews of cash evidence are performed; 5) quarterly fee reports are completed fully, as required by State statute; and 6) all fees collected are remitted to the County Treasurer in a timely manner.

* * * * *

Our audit procedures are designed primarily on a test basis and, therefore, may not bring to light all weaknesses in policies or procedures that may exist. Our objective is, however, to use the knowledge gained during our work to make comments and recommendations that we hope will be useful to the County Sheriff.

Draft copies of this letter were furnished to the County Sheriff to provide its management with an opportunity to review and to respond to the comments and recommendations contained herein. The Valley County Sheriff declined to respond.

This communication is intended solely for the information and use of the County Sheriff and its management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this communication is a matter of public record, and its distribution is not limited.

If you have any questions regarding the above information, please contact our office.

Audit Staff Working on this Examination:

Craig Kubicek, CPA, CFE – Deputy Auditor
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Sincerely,



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cc: Jack Van Slyke, Valley County Board Chairperson