

**ATTESTATION REPORT
OF
BROWN COUNTY COURT**

JULY 1, 2013 THROUGH JUNE 30, 2015

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Issued on May 20, 2016

BROWN COUNTY COURT

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BROWN COUNTY COURT

SUMMARY OF COMMENTS

During our examination of the Brown County Court, we noted certain deficiencies and other operational matters that are presented here.

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. 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 they will be verified in the next examination.

BROWN 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 a 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 lacked a 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 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.

County Court'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, the court trusts that we will be able to further improve the financial control as recommended due to the checks and balances that are now being performed.

APA's Response: Having the financial specialist review the Court transactions would be considered a good practice; however, there are many areas of concern regarding segregation of duties, so unless those areas are addressed, the segregation of duties would continue to be a finding in future audits.

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 to be abandoned. Neb. Rev. Stat. § 69-1310(d) (Reissue 2009), requires any such abandoned property, as of June 30 each year, to be reported and remitted to the State Treasurer by November 1 of each year.

Good internal control requires the County Court to have procedures in place that provide an ongoing, detailed review of all monthly financial reports, including the Monthly Case Balance Report.

During testing of 21 case balances, we noted that 8 of those balances, totaling \$13, were not remitted to the State Treasurer as unclaimed property within three years due to an untimely review of the Monthly Case Balance Report.

BROWN COUNTY COURT

COMMENTS AND RECOMMENDATIONS

(Concluded)

2. Unclaimed Property (Concluded)

When the County Court's monthly reports are not consistently reviewed in a timely manner, there is an increased risk that case balances due for remittance to the State Treasurer as unclaimed property will not be detected, resulting in the County Court failing to comply with State statute.

We recommend the County Court perform an ongoing, detailed, and timely review of all monthly financial reports, including the Monthly Case Balance Report, to identify and remit promptly all unclaimed property in its possession to the State Treasurer, as required by State statute.

County Court's Response: In response to the unclaimed property, this issue has been corrected as of April of this year. In June of 2015, I began the process of turning in unclaimed property. I ran into an issue with needing to have a Holder Form Information number, which I struggled finding. I then set it aside to finish when I completed the unclaimed property for another County. In error, I forgot to complete the unclaimed property.



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BROWN COUNTY COURT

INDEPENDENT ACCOUNTANT'S REPORT

We have examined the accompanying Schedules of Changes in Assets and Liabilities Arising from Cash Transactions of the Brown County Court as of and for the fiscal years ended June 30, 2015, and June 30, 2014. 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 the Brown County Court, as of June 30, 2015, and June 30, 2014, 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 are also required to obtain the views of management on those matters. 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 the finding, along with the views of management, is 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 it 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.



Kris Kucera, CPA, CFE
Audit Manager

March 21, 2016

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

For the Fiscal Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
ASSETS				
Cash and Deposits	\$ 12,774	\$ 151,930	\$ 135,687	\$ 29,017
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 1,773	\$ 20,631	\$ 20,284	\$ 2,120
Law Enforcement Fees	123	1,441	1,422	142
State Judges Retirement Fund	436	4,623	4,615	444
Court Administrative Fees	582	10,489	9,958	1,113
Legal Services Fees	417	4,828	4,754	491
Due to County Treasurer:				
Regular Fines	1,947	47,979	45,883	4,043
Overload Fines	-	4,450	4,375	75
Regular Fees	26	6,381	5,434	973
Petty Cash Fund	50	-	-	50
Due to Municipalities:				
Regular Fines	50	394	434	10
Trust Fund Payable	7,370	50,714	38,528	19,556
Total Liabilities	\$ 12,774	\$ 151,930	\$ 135,687	\$ 29,017

The accompanying notes are an integral part of the schedule.

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

For the Fiscal Year Ended June 30, 2014

	<u>Balance</u>		<u>Deductions</u>	<u>Balance</u>
	<u>July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
ASSETS				
Cash and Deposits	\$ 12,315	\$ 127,498	\$ 127,039	\$ 12,774
LIABILITIES				
Due to State Treasurer:				
Regular Fees	\$ 913	\$ 17,379	\$ 16,519	\$ 1,773
Law Enforcement Fees	143	1,399	1,419	123
State Judges Retirement Fund	463	4,811	4,838	436
Court Administrative Fees	1,164	12,947	13,529	582
Legal Services Fees	425	4,783	4,791	417
Due to County Treasurer:				
Regular Fines	1,845	37,050	36,948	1,947
Overload Fines	400	5,150	5,550	-
Regular Fees	562	6,132	6,668	26
Petty Cash Fund	-	50	-	50
Due to Municipalities:				
Regular Fines	25	175	150	50
Trust Fund Payable	<u>6,375</u>	<u>37,622</u>	<u>36,627</u>	<u>7,370</u>
Total Liabilities	<u>\$ 12,315</u>	<u>\$ 127,498</u>	<u>\$ 127,039</u>	<u>\$ 12,774</u>

The accompanying notes are an integral part of the schedule.

BROWN COUNTY COURT
NOTES TO FINANCIAL SCHEDULES
For the Fiscal Years Ended June 30, 2015, and June 30, 2014

1. Criteria

A. Reporting Entity

The Brown 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 Brown 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.