



# Justice Courts Accountability and Internal Control Systems

2005-MR-10



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# State of New York Office of the State Comptroller

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## Division of Local Government Services and Economic Development

May 2006

Dear Local Officials:

One of the Office of the State Comptroller's top priorities is to identify areas where local governments can improve their operations and provide guidance and services that will assist local officials in making those improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage local government officials to reduce costs, improve service delivery and to account for and protect their governments' assets.

The reports issued by this Office are an important component in accomplishing these objectives. These reports are expected to be a resource and are designed to identify current and emerging fiscally related problems and provide recommendations for improvement. The following is our report on Justice Courts — Accountability and Internal Control Systems.

This audit was conducted pursuant to the State Comptroller's authority as set forth in Article 5, Section 1 of the State Constitution, and Article 3 of the General Municipal Law. The report contains opportunities for improvement for consideration by all municipalities.

If we can be of assistance to you or if you have any questions concerning this report, please feel free to contact the local regional office for your county listed at the back of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government Services  
and Economic Development*



## State of New York Office of the State Comptroller

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# EXECUTIVE SUMMARY

As part of New York State's Unified Court System, Town and Village Justice Courts (Courts) are empowered to hear certain types of civil and criminal cases, and have jurisdiction to adjudicate misdemeanors, minor violations and traffic infractions. Most cases relate to minor violations and traffic infractions.

Justices impose and collect fines, surcharges, bail, and civil fees, and must report adjudicated cases to the State. On a monthly basis, Town and Village Justices (Justices) or their employees remit these moneys to the Office of the State Comptroller's Justice Court Fund (JCF), or to the chief fiscal officer of the Town or Village. The JCF then distributes these moneys to the State and local governments. According to the JCF, there were 1,258 Town and Village Courts in operation during 2004, which generated approximately \$175 million in revenues that were distributed among the State and local governments.

During the course of auditing Courts over the last several years, we have found numerous accountability and internal control deficiencies in their operations. For example, from 2003 to 2005 the Office of the State Comptroller issued 32 reports on Courts that had accountability (including shortages) and internal control issues. In most instances, municipal officials implemented our recommendations to help correct these recurring deficiencies only in a reactive way to our audits, rather than performing their management responsibility to properly oversee operations and institute corrective actions where deficiencies existed.

We audited 12 Justices in the Catskill and Southern Tier regions, and identified similar accounting and internal control deficiencies in each of them, to a lesser or greater extent. Some of these ongoing deficiencies can be attributed to a lack of adequately trained staff, and non-compliance with existing State operational rules and regulations. Given the pervasiveness of these problems, we have identified structural changes to address them.

### **Scope and Objectives**

We audited 12 Justices located in Otsego, Delaware, Broome, and Sullivan counties. The objective of this audit was to determine if Court personnel were properly accounting for Court moneys. Our audit addressed the following questions for the period January 1, 2004 to December 6, 2004:

- Were Court officials properly maintaining complete, accurate and timely accounting records and reports?
- Were internal controls properly designed and operating effectively to help ensure that Court financial operations were properly controlled and monitored?

### **Audit Results**

Court officials did not maintain complete, accurate or timely accounting records and reports. Deficiencies in policies regarding recordkeeping, reconciliations, deposits, and reporting prevented local officials from adequately monitoring and controlling Court operations. These deficiencies caused errors and irregularities that remained undetected and uncorrected. Ten of the 12 Justices that we audited said they were unaware of the financial expectations placed upon them and their clerks, and blamed their lack of knowledge on inadequate training.

Internal controls governing duty segregation among Court personnel responsible for financial operations, and Court oversight by the Town and Village Boards (Boards), were generally weak. In these Courts, for the most part, one individual was responsible for handling moneys and maintaining accounting records. The Boards in only half of the municipalities audited their Court's financial records as required.

In addition to the Justices included as part of this audit, we audited 32 Justice Courts from 2003 to 2005 and found money missing in 11 of these audits, which was almost 35 percent of the Justice Courts audited. These amounts ranged from about \$650 to more than \$62,000, and averaged \$12,118. If the same percentage and size of loss is taking place among all 1,260 Justice Courts statewide, it would equate to more than 430 Courts with missing money totaling \$5.2 million. To address the structural weaknesses in Justice Courts, we have proposed legislative changes that could modify the structure of Justice Courts, and/or require additional training in financial management for Justices and Court clerks.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with local officials and excerpts of their comments, which appear in Appendix A, have been considered in preparing this report. Local officials generally agreed with the findings and recommendations in this report.

# Introduction

## Background

Town and Village Justice Courts (Courts) are part of the State's Unified Court System and play a vital role in upholding State and local law. Town and Village Justices (Justices) are empowered to hear civil and criminal cases, and adjudicate misdemeanors, minor violations, and traffic infractions. Most cases involve minor violations and traffic infractions. Generally, Town Courts have two Justices, while Village Courts have one Village Justice with a Town Justice (called an "acting Village Justice") to act in the Village Justice's absence.

Justices impose and collect fines, surcharges, bail, and civil fees, and are responsible for reporting adjudicated cases to the State. On a monthly basis, Court personnel remit these collections to the Office of the State Comptroller's (OSC) Justice Court Fund (JCF), or to the chief fiscal officer of the Town. According to JCF data, 1,258 Town and Village Courts were in operation during 2004, and they generated approximately \$175 million in revenue.

Justices are charged with accounting for their Court's financial transactions, and generally with safeguarding public resources. Justices are responsible for ensuring that an effective system of internal controls is in place to help local officials protect public resources from misuse, loss or fraud; process and record Court financial transactions in a timely manner; file accurate financial reports in a timely manner; observe pertinent laws, rules and regulations; and regularly monitor and review Court personnel work performance. Town and Village Boards (Boards) share with the Justices the responsibility of ensuring that an effective system of internal controls is in place to oversee Court financial operations. If these internal control components are lacking or malfunctioning, accountability over the Court's financial operations is greatly diminished. Justices may employ a Court clerk to assist them in meeting their responsibilities.

All Justices who are not attorneys are required to attend training sessions administered by the State Office of Court Administration (OCA). However, most OCA training sessions cover the legal, but not financial, aspects of managing a Court. Upon election or appointment, non-lawyer Justices receive a mandatory one-hour training session regarding the financial aspects of managing a Court, but lawyer Justices are not required to take this training.

Beyond that, OCA does not require any further financial-related training. Although OCA and other organizations offer additional elective finance-training sessions, local officials often choose not to attend, citing cost. Court clerks are not required to fulfill any job-related training requirements whatsoever.

During the course of auditing Courts over the last several years, we have found numerous accountability and internal control deficiencies in their operations. From 2003 to 2005, we issued 32 audit reports of Justices that identified accountability and internal control deficiencies. Almost 35 percent of these Justice Court audit reports (11 reports) reported missing money totaling more than \$133,000, which equated to an average amount of more than \$12,000.

We audited 12 Justices located in the following municipalities: the Town of Bethel (Sullivan County); Town of Burlington (Otsego County); Village of Cooperstown (Otsego County); Town of Deposit (Delaware County); Town of Kirkwood (Broome County); and the Town of Otego (Otsego County). This audit has identified similar accounting and internal control deficiencies, to a lesser or greater extent, for each of the Justices we examined. On a positive note, we found the least number of deficiencies in the Town of Kirkwood Justice Courts because they were very well managed. We blame some of these deficiencies on the lack of adequately trained Court staff, and on non-compliance with existing Court system operational rules and regulations. Given how pervasive these problems are, we are recommending new and unique solutions to address them, including changes to existing State laws, rules and regulations.

## Objectives

The objective of this audit was to determine if Court personnel were properly accounting for Court moneys. Our audit addressed the following questions:

- Were Court officials properly maintaining complete, accurate and timely accounting records and reports?
- Were internal controls properly designed and operating effectively to help ensure that Court financial operations were properly controlled and monitored?

**Scope and  
Methodology**

During this audit we examined the records of 12 Justices located in Otsego, Delaware, Broome, and Sullivan counties. Our review was limited to Court-related activities for the period January 1, 2004 to December 6, 2004.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix C of this report.

**Comments of  
Local Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with local officials and excerpts of their comments, which appear in Appendix A, have been considered in preparing this report. Local officials generally agreed with the findings and recommendations in this report.

The governing Board of each municipality has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, the Boards should prepare a plan of action that addresses the recommendations in this report and forward the plan to our office within 90 days. For guidance in preparing your plan of action, you may refer to applicable sections in the publication issued by the Office of the State Comptroller entitled *Local Government Management Guide*. We encourage the Boards to make this plan available for public review in the Clerk of the Boards' offices.

## Accounting for Court Moneys

Justices are not only responsible for adjudicating cases brought before them, they also are responsible for the accounting and reporting of all related Court financial activities. It is the Justices' responsibility to maintain complete, accurate and timely accounting records; reconcile cash activity; deposit cash in a timely manner; and report Court activity accurately and in a timely manner.

We found deficiencies in recordkeeping, reconciling, depositing of moneys, and reporting for each Justice we audited. These deficiencies prevented local officials from effectively monitoring and controlling Court operations, and resulted in errors and irregularities occurring and being undetected and uncorrected, putting public resources at risk.

Ten of the 12 Justices we audited said they were unaware that they and their clerks were responsible for periodic reconciliations of cash per books to net bank balances,<sup>1</sup> determining and identifying amounts due to OSC and others, and for maintaining certain types of records. The Justices and Boards had not provided adequate training for their Court personnel. This situation contributed to at least some of the deficiencies that we found.

### Recordkeeping

Justices are responsible for properly accounting for all financial transactions in keeping with sound management practices, and State laws and regulations, including OSC guidelines. Every Justice is required to maintain suitable books, records, case files, and all related papers and information.<sup>2</sup> It is important that Justices maintain complete, accurate, and updated accounting records, and that they maintain the records according to standards found in OSC's *Handbook for Town and Village Justices and Court Clerks*.

<sup>1</sup>Justices said they did not know that they had to make sure the running balance in their check register agreed with the net amount that was actually in their bank accounts.

<sup>2</sup> Uniform Justice Court Act, Section 107; Uniform Rules for Courts Exercising Criminal Jurisdiction, 22 NYCRR, 200.23; and the Uniform Civil Rules for the Justice Courts, 22 NYCRR 214.11

Ten of the 12 Justices that we audited had recordkeeping deficiencies. These deficiencies included the following:

- Two Justices did not maintain detailed cash receipts records. A detailed cash receipts record serves as a source document for all moneys received and becomes the basis for paying moneys to OSC.
- Eight Justices did not issue press-numbered receipts or maintain them on file for all moneys received. In addition, receipt numbers were missing from the sequence of staff-issued receipts for four of those Justices. Good internal controls call for Court personnel to consecutively issue press-numbered receipts for all moneys received, and accurately record receipts in the accounting records in chronological order by receipt number, amount, purpose, and date received. Because of these discrepancies and deficiencies in recording cash receipts, we were not able to determine if all moneys collected were accurately accounted for.
- Seven Justices did not maintain summary records to identify pending bail held. It is essential that a summary record of all pending bail be continuously maintained to provide essential information on the status of money owed.
- Two Justices did not maintain detailed records of restitution held by and balances due. As a result, these Justices could not readily determine the total amount of restitution they were holding or yet due. It is essential that a summary record of pending restitution be maintained to verify that restitution has been received by the Justice and paid to the victim.
- Six Justices did not have cancelled checks or check images to serve as the source document for disbursements and to ensure that moneys expended are for proper Court purposes.

Failure to maintain complete and accurate financial records can result in fines, fees and other funds not being accounted for or reported as required by law or regulations.

## Monthly Reconciliations and Deposits

Court personnel can verify the accuracy of financial records and establish control over cash by reconciling recorded amounts on hand to net amounts reported in the bank, and to detailed listings of amounts due to the JCF and others.

Reconciliations of Book Cash Balances and Net Bank Balances – Three Justices did not perform monthly bank account reconciliations at all; five Justices performed, but did not document, bank account reconciliations; and three Justices performed incomplete and/or inaccurate bank reconciliations. Only one Justice performed and documented complete and accurate bank account reconciliations. For one of these two Justices, whose Court personnel had not reconciled their bank accounts since January 31, 2004, the Justice’s bank balance was less than their book balance by \$7,431. This situation occurred primarily due to a mathematical error that overstated the Justice’s checkbook balance by approximately \$7,000. This error would have been detected and corrected if Court personnel had performed proper reconciliations.

Reconciliations of Book Cash Balances and Amounts Due – Nine Justices did not perform a monthly reconciliation of cash liabilities. As a result, two Justices had liabilities that exceeded cash by approximately \$500 and \$600, respectively, due to undetected bookkeeping errors. In addition, seven Justices had assets in excess of known liabilities ranging from \$20 to \$2,608.52 which were not detected and corrected because of the lack of reconciliations.

Depositing of Moneys – Court personnel must deposit all moneys the Justice receives into official bank accounts no later than 72 hours from the date of receipt.<sup>3</sup> None of the Court employees routinely deposited moneys in a timely manner. We discovered that of approximately 1,400 deposits made, 372 were untimely by up to 27 days. These deposits totaled \$56,000. Late deposits increase the risk that Court personnel will not properly account for all moneys received, and that moneys will be lost or stolen.

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<sup>3</sup>Uniform Civil Rules for the Justice Courts, 22 NYCRR 214.9(a)

## **Monthly Financial Reporting**

Justices are required to prepare and file a monthly report with JCF by the 10th day of each month. This report should include all closed cases and those cases where the defendants are paying fines on an installment basis. Justices must send all fine and fee collections to the chief fiscal officer of the Town or Village, or to JCF, and report to JCF.

Eight of the 12 Justices we audited submitted a total of 27 monthly reports (out of 120 total reports) and payments to JCF ranging from one day to two months late. Three Justices did not report and remit moneys collected for 11 cases totaling \$1,179.50, and another Justice reported and remitted moneys collected for seven cases totaling \$1,030 approximately 30 days late. The remaining four Justices audited filed their monthly reports in a timely manner.

The failure of Justices to file accurate reports and submit fines and fees collected in a timely manner delays the corresponding allocation and payment of Court revenues to the appropriate parties and increases the risk of recordkeeping and reporting errors.

## **Recommendations**

1. Justices should maintain proper accounting records, including all supporting documentation, for all moneys received and disbursed. They also should deposit all moneys in a timely manner.
2. Every month Justices should perform bank reconciliations and compare adjusted bank balances to balances in the accounting records. Any differences between the bank balance and accounting records should be resolved, and completed reconciliations should be kept on file for review by the Boards.
3. After reconciling the bank balance, Justices should reconcile the cash balance with liabilities to OSC and other pending liabilities. These reconciliations should be kept on file for review by the Boards.
4. Justices should report and remit all fines, fees and surcharges to OSC in a timely manner. They should compare recorded receipts, deposits, and amounts reported on the monthly reports, and resolve any discrepancies.

5. The Boards should allocate funding to ensure that Justices and Court clerks receive training in Court recordkeeping requirements. In addition, Court officials and employees should actively seek out training opportunities through local organizations such as the New York State Association of Magistrates, New York State Association of Magistrates Court Clerks, Office of Court Administration, County Magistrates Association, New York Conference of Mayors, Association of Towns, and OSC.

## Internal Controls

Proper internal controls are an essential component of effective Court operations. They include management-directed practices and procedures that help to ensure that: cash and other resources are properly safeguarded; transactions are authorized and properly recorded; financial reports are accurate and filed in a timely manner; applicable laws, rules and regulations are observed; and work performed by those involved in the financial operation is monitored and reviewed routinely. Justices are primarily responsible for implementing an appropriate internal controls system. The Court's governing Board has oversight responsibility as well.

Internal controls over the segregation of financial duties among Court personnel, and Board oversight, was generally weak. As a result, for most Justices one individual was responsible for handling moneys and maintaining accounting records. Also, for only about half the Justices, the Boards audited the Justices' records.

### **Segregation of Incompatible Duties**

An effective system of internal controls requires that no single individual controls all phases of a transaction. However, because of the nature and volume of most Court operations, segregating financial duties among two or more people is generally impractical. In those Courts with a clerk, the Justice must provide oversight, which is in addition to the oversight provided by the governing Board. Those Courts that do not have a clerk must rely on governing Board oversight of the Justice. At the very least, governing Boards must exercise sufficient oversight and monitor the work of Justices and clerks to help ensure that transactions are properly recorded and reported, and moneys are properly accounted for. The Boards could review monthly reconciliations to ensure that bank accounts are being reconciled with recorded cash balances and that cash balances are reconciled to amounts owed, and review other banking documents (e.g., bank statements and check payments) to verify that amounts collected are deposited on a timely basis, and to verify that all payments are properly authorized and accounted for.

The Justices or clerks for every Justice we audited performed virtually all financial duties. These duties included receiving and depositing moneys and issuing receipts, preparing and entering financial and other information into the computer system, preparing and signing checks for disbursement, preparing and filing monthly reports with OSC, and maintaining case files. Of the 12 Justices we audited, 10 Justices did not establish adequate procedures to enable the work of each Court official and/or employee to be independently verified by the other, or they did not adequately supervise, monitor, or review the clerks' work. Furthermore, the Boards had not established adequate procedures for monitoring the duties or reviewing the Justices' work, and did not enact suitable duty segregation among those responsible for the Courts' financial operations.

This lack of duty segregation limited the local officials' ability to effectively monitor and control Court operations, and caused errors and irregularities to remain undetected and uncorrected (refer to the Accounting for Court Moneys section).

## **Annual Audit**

The Uniform Justice Court Act<sup>4</sup> requires Justices to present their records and dockets to their governing Boards for audit at least once a year. The Board members must then either audit the records, or engage an independent public accountant to do so. After the audit is complete, this fact should be entered in the minutes of the Board's proceedings.

An annual accounting to, and audit by, the Board members provides an added measure of assurance that their Justice Courts' financial records and reports contain reliable information on which to base management decisions and gives them the opportunity to monitor the fiscal procedures of the Justice Courts. The absence of annual audits prevents Board members from independently verifying that Court accounting records are complete and accurate, and that all moneys have been properly accounted for and reported.

The Boards of the Towns of Burlington and Deposit, and the Village of Cooperstown did not audit their respective six Justices (two Justices in each municipality) for fiscal years 2003 and 2004. When we discussed the lack of audits with

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<sup>4</sup>Section 2019-a

personnel of the three municipalities, they told us that audits were not done because the municipal staff was not aware of any audit requirements. Further, even though we found evidence that the six Justices located in the Towns of Bethel, Kirkwood, and Otego were audited, either by an independent auditor or their own officials, it does not appear that these audits were effective because we still found deficiencies in their financial operations. Had annual audits been done using the audit checklist made available by OSC,<sup>5</sup> these municipalities would likely have found the deficiencies in Court operations noted in this audit report, so that corrective action could have been taken in a more timely fashion.

## Recommendations

6. The Justices and Board members should adequately oversee Court operations, and design and implement an effective internal controls system when proper segregation of financial duties is not possible.
7. The Boards should consider using the annual audit checklist provided by OSC, and file it with their respective clerks as a public document to provide evidence that they performed an annual audit of their Court.

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<sup>5</sup>As an aid to governing Board members in auditing their Justice Court operations, we have made available the general recordkeeping requirements and an audit checklist in the publication, *Local Government Management Guide – Fiscal Oversight Responsibilities*, which is available for download on OSC’s Internet site ([http://www.osc.state.ny.us/localgov/pubs/lmg/fiscal\\_oversight\\_nc.pdf](http://www.osc.state.ny.us/localgov/pubs/lmg/fiscal_oversight_nc.pdf)).

## Structural Changes

Justices are responsible for accounting for their Court's financial transactions (by accurately recording and reporting transactions in a timely manner), and for ensuring that an effective system of internal controls is in place to help officials: protect public resources from misuse, loss or fraud; observe pertinent laws, rules and regulations; and to help officials to regularly monitor and review Court personnel work performance. Town and Village Boards share with the Courts the responsibility of ensuring that an effective system of internal controls is in place to oversee Court financial operations.

In previous audits, we have found similar deficiencies relating to accountability and internal controls of Town and Village Courts that we found in this multi-unit audit. In addition to the Justices reviewed as part of this audit, during the period from 2003 to 2005, we audited 32 Justice Courts. We found money missing in 11 of these 32 audits, which was almost 35 percent of the Justices we audited. The amounts missing ranged from about \$650 to more than \$62,000, with an average of \$12,118. While the Courts we audited were not a random sample, if missing moneys occur at all 1,260 Justice Courts statewide, it would equate to more than 430 Courts missing more than \$5.2 million. Clearly there is a problem with the current structure of Town and Village Justice Courts. There are simply too many small Courts that operate with little oversight and often no segregation of duties. This great number of small Courts also makes it impractical and inefficient for OSC to regularly audit a large proportion of Justice Courts.

To bring meaningful improvement to the finances of Justice Courts, it will require structural changes to create more oversight and segregation of duties. Two approaches which could be used, where small scale makes proper segregation of duties impractical or unlikely, are to either remove the cash collection function from the Courts, or to consolidate or combine operations among smaller Courts to create fewer, larger operations that could segregate duties. However, to achieve structural change on a broad scale, legislative changes

will be required. Given the lack of controls, level of missing moneys, and accounting and reporting errors at the Justice Courts we have audited, and given how substantial the risk is at other Justice Courts, we believe that State action in this area is necessary.

Internal controls among smaller Courts could be improved – while leaving the existing structure intact – by simply removing the responsibility from such Courts for collecting moneys. Fines, surcharges, and other payments imposed by the Court could be paid to the chief fiscal officer (CFO) of the related municipality. This change would result in the Court reporting the amount that should be collected to JCF, while the CFO would remit the payments. This complete segregation of receipt and disbursement of moneys would significantly improve accountability and internal controls. However, the financial and operational impact that such changes could have on municipalities should be carefully considered.

Another option would be to combine Courts to create fewer, larger Courts. For example, Village Courts could be combined with Town Courts, or Courts with minimal activity could be combined with Courts of neighboring localities. This option can be used now at the local level, and as we noted in an earlier audit,<sup>6</sup> such consolidations also can reduce operating expenses. For example, if all Courts with annual revenues of less than \$20,000 were combined to form larger Courts, 310 very small Courts could be eliminated. Larger Courts could implement more segregation of duties, and reducing the number of smaller courts would allow for more effective State oversight. Although there are service implications to such changes, there also are ways to mitigate these issues. For example, typically, there is a “Court night” that occurs one night each week in a town. Combined Courts could alternate the location of the Court nights between Towns to maintain the advantages of having the local Court system.

While larger Courts would provide the potential for greater segregation of duties, there still would be a need for training for Justices and clerks. Justices who are not attorneys are required to attend training before they take office. However, only a

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<sup>6</sup><http://www.osc.state.ny.us/localgov/audits/swr/2003mr4.pdf>

small portion of this training pertains to financial recordkeeping. Moreover, this training is required only for Justices, and not for Court clerks, who typically keep the financial records of the Courts. Additional training could help ensure that both Justices and clerks understand how to keep the required financial records and perform monthly reconciliations. While OSC provides training on Justice Court finances through a variety of formats, a large proportion of clerks and Justices do not currently take advantage of it. Consideration should be given to expanding financial training for Justices, and requiring training on financial issues for Court clerks.

While training alone would not improve controls within Justice Courts, it would highlight the records that should be maintained, the importance of monthly reconciliations, and the need for oversight by Justices and Boards.

## **Recommendation**

8. The State Legislature, and other State governing bodies, should enact statutory changes to address the lack of controls, frequency of missing money, and accounting and reporting errors that are occurring among Justice Courts. These actions could include combining operations, or removing the cash collection function from Courts where small scale makes proper segregation of duties impractical or unlikely, and improving training on financial operations for Justices and clerks. OSC will review these issues more closely in consultation with organizations representing local governments and Justice Courts, and with the Office of Court Administration, with the goal of developing more detailed recommendations for legislative consideration.

## APPENDIX A

### RESPONSES FROM LOCAL OFFICIALS

A draft copy of this report was sent to officials of each of the six municipalities we audited. The following comments were excerpted from the three responses that we received:

“We all concur that justices and court clerks need training to fulfill their accounting requirements, yet the state does not provide training, nor funds to meet this end.” (See Note 1 on page 22.)

“We appreciate the effort taken by the state to make us aware of deficiencies. However, until necessary training can be provided, the most we can do is implement the policies you suggested.” (See Note 1 on page 22.)

“This court...was aware that there were deficiencies in the maintenance of the financial and accounting records of the office. For a three month period there was no court clerk to assist in the process of electronic record keeping, something neither judge was trained to do. In fact, the comment concerning an unawareness of the financial expectations placed on them and their clerks, as well as a lack of adequate training in the subject, is appropriate in the case of this court.”

“Essentially this court has attempted to implement the changes recommended by the examiner and the report to the Village.”

“The...Court staff appreciates your acknowledgement as to how our court is managed.”

“We still find it difficult to understand why you name the six courts that were part of the 2004 audit yet failed to name the twelve courts that were part of the audit you conducted from 2003 to 2005.” (See Note 2 on page 22.)

## **APPENDIX B**

### **OSC RESPONSE TO COMMENTS FROM LOCAL OFFICIALS**

#### Note 1

It is clear that the officials are unaware of State training resources that are available to them. OSC works with the Office of Court Administration to provide teleconferences and regional training for Court Justices and clerks. In 2005, OSC developed a one-hour training video that addressed key Court issues.

#### Note 2

This response from officials of one Court appears to assume, erroneously, that we conducted a single audit of 12 courts from 2003 to 2005. Our report actually referred to our auditing 32 Justice Courts from 2003 to 2005 in separate audits and finding money missing in 11 Courts, or almost 35 percent of the Courts audited. Our point was to demonstrate that over the past several years there was widespread lack of accountability and internal controls in many Justice Courts and, thus, there is a need for Court operational reform.

## APPENDIX C

### AUDIT METHODOLOGY AND STANDARDS

We reviewed operations of the selected Courts during this audit to determine if the Justices were properly accounting for Court moneys, and if internal controls over the Court were appropriately designed and operating effectively. Our audit covered the period January 1, 2004 to December 6, 2004.

To accomplish the objectives of this audit and obtain valid audit evidence, our procedures included the following steps:

- We reviewed accounting records to determine if they were complete, accurate, and up-to-date.
- We compared recorded cash receipts and disbursements to supporting documentation such as press-numbered receipts, case files, records of bail transactions, and reports to OSC.
- We verified that transactions – as detailed on the bank statements that were recorded in the Court’s records – were for legitimate Court-related purposes, and were supported by appropriate documentation.
- We reviewed bank account reconciliations.
- We compared the dates moneys were recorded as having been received, to the dates they were deposited.
- We reviewed and compared Court activity to Traffic Safety Law Enforcement and Disposition (TSLED) reports prepared by and received from the New York State Department of Motor Vehicles.
- We interviewed local officials and employees, and inspected and reviewed existing Court records and reports, to learn about existing internal control systems.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). Such standards require that we plan and conduct our audit to adequately assess those municipal operations within our audit scope. Further, those standards require that we understand the municipality’s management controls and those laws, rules and regulations that are relevant to the municipality’s operations included in our scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in accounting and operating records and applying such other auditing procedures, as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for the findings, conclusions and recommendations contained in this report.

## APPENDIX D

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**AND ECONOMIC DEVELOPMENT**

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