



# Town of Cameron

## Justice Court and Town Supervisor's Records and Reports

Report of Examination

Period Covered:

January 1, 2012 — June 19, 2014

2015M-17



Thomas P. DiNapoli

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# State of New York Office of the State Comptroller

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## Division of Local Government and School Accountability

January 2017

Dear Town Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Town Board governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Town of Cameron, entitled Justice Court and Town Supervisor's Records and Reports. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the New York State General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller  
Division of Local Government  
and School Accountability*



## State of New York Office of the State Comptroller

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### EXECUTIVE SUMMARY

The Town of Cameron (Town) is located in Steuben County and is governed by a Town Board (Board) composed of the elected Town Supervisor (Supervisor) and four elected Board members. The Board is the legislative body responsible for managing Town operations, establishing appropriate internal controls over financial operations and monitoring financial activities, including the financial activity of the Justice Court (Court).

Town Justices are responsible for properly accounting for and reporting all related financial activity and reporting monthly to the Justice Court Fund. The Town operates its Court with one Town Justice (Justice); the former Justice resigned shortly after the start of our audit. The former Justice did not have a Court clerk to assist with Court activity.

The Court was selected for audit after our risk assessment due to the amount of inconsistencies that were discovered when attempting to verify verbal assertions made during our initial interview with the Justice.

#### **Scope and Objectives**

The objectives of our audit were to evaluate the Court's financial activities and review the Supervisor's records and reports for the period January 1, 2012 through June 19, 2014. Due to the shortage identified with the Court's accountability analysis, we extended our testing back to 2011 in certain instances to review Court records. In addition, we updated our review of the Supervisor's records through the end of the 2014 fiscal year. Our audit addressed the following related questions:

- Did the Justice deposit, record and account for the Court's money accurately and in a timely manner?
- Are the Supervisor's financial records complete and sufficiently monitored?

#### **Audit Results**

The Justice did not deposit, record and account for Court money accurately and in a timely manner. In addition, the Board did not audit the Court's financial records and reports or ensure sufficient controls were in place to prevent or detect fraud or abuse. As a result, based on the records available to us, we found a cash shortage of at least \$6,073 occurred during our audit test period, which was the final three years of the Justice's six-year tenure.

We also found that the Supervisor’s financial records were not complete and not sufficiently monitored. The Supervisor did not create or provide the Board with budget-to-actual reports or statements of cash flows to enable the Board to sufficiently monitor the Town’s financial position. Furthermore, the annual report was not filed timely and the Board did not audit the Supervisor’s books and records as required. As a result, the Board does not have the financial information it needs to effectively monitor the Town’s operations, which increases the risk that errors or irregularities could occur and not be detected or corrected in a timely manner.

### **Comments of Local Officials**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendations and indicated they have taken, or plan to take, corrective action.

# Introduction

## Background

The Town of Cameron (Town) is located in Steuben County and has a population of approximately 945 residents. The Town is governed by a Town Board (Board) composed of an elected Town Supervisor (Supervisor) and four elected Board members. The Board is the legislative body responsible for managing Town operations, establishing appropriate internal controls over financial operations and monitoring financial activities, including the financial activity of the Justice Court (Court).

Town Justices are responsible for adjudicating all cases brought before their courts and properly accounting for and reporting all related financial activity. Justices are required to report monthly to the Office of the State Comptroller's Justice Court Fund (JCF) on the financial activities of the preceding month. The Court had one elected Justice – Justice Christina Davis (Justice), who presided from 2008 until December 31, 2013. She resigned shortly after the start of our audit.<sup>1</sup> The position was filled with an interim justice. Justice Davis did not have a Court clerk to assist with Court activity.

The Court was selected for audit after our risk assessment due to the amount of inconsistencies that were discovered when attempting to verify verbal assertions made during our initial interview with the Justice. The Court records show that nearly \$29,000 in fines, fees, surcharges, bail and restitution were collected from January 2011 through December 2013.

## Objective

The objective of our audit was to review internal controls over the Court and the Supervisor's financial activities. Our audit addressed the following related questions:

- Did the Justice deposit, record and account for the Court's money accurately and in a timely manner?
- Are the Supervisor's financial records complete and sufficiently monitored?

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<sup>1</sup> The actual resignation date is unclear. The Justice told us on November 25, 2013 that she had resigned two weeks earlier (November 11, 2013). However, the Supervisor was unaware of the resignation. Around December 9th or 10th, the Supervisor received a resignation from the Justice with no resignation date. On December 30, 2013, the Supervisor received a resignation from the Justice indicating that December 31, 2013 was her resignation date.

**Scope and  
Methodology**

We examined the Town’s and Court’s financial operations for the period January 1, 2012 through June 19, 2014. Due to the shortage identified with Justice Davis’s accountability analysis, we extended our testing back to 2011 in certain instances to review Court records. In addition, we updated our review of the Supervisor’s records through the end of the 2014 fiscal year.

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 B of this report. Unless otherwise indicated in this report, samples for testing were selected based on professional judgment, as it was not the intent to project the results onto the entire population. Where applicable, information is presented concerning the value and/or size of the relevant population and the sample selected for examination.

**Comments of Local  
Officials and  
Corrective Action**

The results of our audit and recommendations have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials agreed with our recommendations and indicated they have taken, or plan to take, corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Town Clerk’s office.

# Justice Court Operations

Justices are responsible for adjudicating cases brought before their Court and accounting for and reporting Court-related financial activities. The Board and Justice must ensure that an effective system of internal controls is in place for safeguarding cash, maintaining complete and accurate accounting records and depositing all money collected intact<sup>2</sup> and in a timely manner.<sup>3</sup> Justices are also responsible for issuing appropriate receipts and reconciling Court collections to corresponding liabilities. A good system of internal controls will ensure financial reports are accurate and applicable laws, rules and regulations are observed. The Board should perform required annual audits of the Justice's records or engage the services of an independent public accountant to perform the audits.

The Justice did not deposit, record and account for Court receipts accurately and in a timely manner. In addition, the Board did not audit the Court's financial records and reports or ensure sufficient controls were in place to prevent or detect fraud or abuse. As a result, we identified that a cash shortage of at least \$6,073 occurred during our audit period, which was the final three years of the Justice's six-year tenure. In addition, the Justice could not provide evidence that she completed bank reconciliations or monthly accountability analyses. She also did not consistently issue appropriate duplicate receipts, file all monthly reports in a timely manner or maintain an accurate list of bail. Though required by law, the Board failed to perform an annual audit of the Justice's books and records. As a result, the Town officials' monitoring of Court finances was limited, and errors and irregularities occurred and remained undetected and uncorrected, including a cash shortage.

## Cash Shortage

The accountability process for justices requires an accurate recording of receipts and disbursements, with a month-end reconciliation of cash book balances to bank balances. To reconcile the cash book balance to the bank balance, justices should compare information from their accounting records, which shows how much money the court should have, with information shown in their bank records, which shows how much money the court does have. At any point in time, the court's liabilities (mainly receipts pending remittance and bail) should equal the justice's available cash. If they do not agree, the differences found should be promptly investigated and resolved. Bank reconciliations and accountability analyses are critical procedures to ascertain the

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<sup>2</sup> That is, in the same form (cash or check) and amount as received and recorded

<sup>3</sup> Within 72 hours of receipt, excluding Sundays and holidays

status of money held by the court and help ensure that the court is appropriately addressing its custodial responsibility.

Although the Justice initially claimed to be up-to-date with bank reconciliations, she could not provide evidence that reconciliations were completed. Therefore, we performed an accountability analysis as of December 31, 2013. We found the records to be in complete disarray. We had to do a considerable amount of work to attempt to determine how much money had been collected by the Court. The Justice kept no usable bail reports, receipts were not always in sequential order and receipt dates were often inaccurate. Court records must include evidence of sequential duplicate receipts which can be traced to matching bank deposits and records in the computer system and then either evidenced as disbursed through the monthly report or shown as held for bail. Instead, we found numerous instances where the process was not appropriate, such as receipts entered into the computer but not in the cash receipt book, or entered in the receipt book but not deposited in the bank. Because of this, we cannot be reasonably certain that all receipts were recorded. Therefore, we cannot be certain that the amount we determined to be the shortage is not understated.

As shown in Figure 1, based on known liabilities from January 1, 2011 through December 31, 2013, we found that the Justice's ending bank balance was short \$6,073.

<b>Figure 1: Court Accountability Analysis</b>	
<b>Assets as of December 31, 2013</b>	
Justices' bank account balance as of 12/31/13	\$2,367
<b>Total Assets</b>	<b>\$2,367</b>
<b>Less Known Liabilities as of December 31, 2013</b>	
Beginning bank balance at January 1, 2011 <sup>a</sup>	\$520
Amount Owed to Supervisor <sup>b</sup>	\$490
Fines and fees collected but not reported to the JCF	\$3,755
Restitution collected but not disbursed	\$75
Outstanding Bail	\$3,600
<b>Total known Liabilities</b>	<b>\$8,440</b>
<b>Cash Shortage</b>	<b>(\$6,073)</b>
<sup>a</sup> Balance did not include known associated liabilities. Amount may include unrefunded bail or unreported fines and fees received prior to our test period. <sup>b</sup> The Justice failed to remit amounts due for two monthly reports to the Town Supervisor.	

Any additional receipts that were, intentionally or unintentionally, not recorded could be missing from our shortage total. For example,

we found one \$85 receipt that was recorded in a cash receipt book that was different from all the other cash receipt books found on site. When we asked Justice Davis about this receipt, she said that she just used that book once because she could not find her receipt book. The receipt was not later transferred to the regular receipt book or deposited in the bank, nor was it recorded in the computer, which still showed the amount as owed by the defendant.

We also found evidence that the Justice was substituting receipts. We found two money orders, totaling \$125, printed in 2009 that were included in a deposit dated March 25, 2011. When we identified the defendants who submitted the money orders, we found that their cases had been disposed in 2009. Although the associated money orders were not deposited until 2011, we did not attempt to determine where the funds came from in 2009 to cover the disposed cases, as it was outside our audit period. When the money orders were deposited in 2011, the funds covered unrelated cases, potentially as substitution for cash that was not deposited.

## Cash Deposits

Justices are required to deposit all receipts collected intact within 72 hours. During our initial interview, Justice Davis claimed that, with a few exceptions, she generally deposited receipts the day after they were received. Although she generally made entries in the computer indicating that deposits were being made frequently, we found virtually no receipts were deposited within the time allowed by law. On average we found receipts took 178 days to deposit, including three receipts held over 1,000 days until deposited by the interim justice.

Although every court is different, generally with court held weekly, we would expect to see weekly deposits and for many of the deposits to include cash. Therefore, in the 156 weeks we tested between 2011 and 2013, we would expect approximately 156 deposits. However, we found that the Justice made deposits on nine dates and just five of those dates included cash. Cash deposits for 2011 totaled \$765 and for 2012 totaled \$300. Prior to our arrival, no cash was deposited in 2013.<sup>4</sup> There was one additional deposit made in 2013 on November 25 for \$5,417, of which \$135 was cash. Therefore, the last time cash was deposited was 21 months prior to that date. The lack of deposits, and especially the lack of cash deposits, should have been red flags had the Court records been reviewed or audited.

During our audit period we identified 53 receipts we believe to have been cash. Of these receipts, 45 were entered into the computer as “cash” by the Justice. We found an additional eight receipts that were

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<sup>4</sup> The last deposit containing cash (\$300) was made on March 13, 2012.

not recorded in the computer but we believe were cash because there were no associated checks or money orders. As shown in Figure 2, the 53 receipts should have resulted in total cash deposits of \$7,243. However, bank records showed cash deposits totaled \$1,200, resulting in a cash deposit shortage of \$6,043.

<b>Figure 2: Cash Shortage</b>			
<b>Recorded Cash Receipts</b>	<b>Cash Deposit Date per Bank</b>	<b>Cash Deposit Amount</b>	<b>Known Cash Shortage</b>
\$800	3/25/2011	\$365	\$435
\$300	10/12/2011	\$300	\$0
\$385	11/10/2011	\$100	\$285
\$1,198	3/20/2012	\$300	\$898
\$4,560	11/25/2013	\$135	\$4,425
<b>\$7,243</b>		<b>\$1,200</b>	<b>\$6,043</b>

## **Bail Records**

The receiving and processing of bail can involve significant amounts of money for any justice court. Bail for pending cases is similar to a customer deposit and is posted by defendants (or possibly by others on behalf of defendants) generally to guarantee appearance in court to answer charges. In some instances, specific bail amounts can remain with the court for long periods of time. Consequently, it is essential that each justice maintain an accurate record of bail. If the justice does not use a computerized system that produces a current and complete list of all bail held at any specific point in time, the justice should maintain a supplemental record to provide that information. The receipt and disposition of bail money should be recorded in the supplemental record of bail promptly after the transactions occur to ensure that the record is complete and up-to-date.

During an interview with Justice Davis, she stated that she was not sure if she was entering bail receipts into the computer program. We requested a bail report and found that the Justice recorded five bail receipts totaling \$5,725 between when she started in 2008 and July 1, 2011. Although she took in bail after July 1, 2011, no additional bail receipts were recorded after that date. The Justice could provide no reason why she changed her bail recording process.

Due to the insufficient records, we attempted to determine the amount of bail that should have been held by the Justice at December 31, 2013. Because the Justice was not recording bail in the computer program, we contacted the Steuben County Jail and asked them to send us any records they had for bail that was transferred to the Court. We also reviewed receipt books for any receipts that appeared to be for bail. We did not attempt to verify the accuracy of bail recorded

prior to the start of our audit period in 2011. In addition, it came to our attention that the Justice prior to Justice Davis transferred \$1,507 in outstanding bail to Justice Davis at the start of her tenure. We did not attempt to determine if the transferred bail was properly disbursed by Justice Davis during the three years of her tenure prior to our audit period. If not, those funds could still be due to defendants and would increase the liability and the shortage amount.

Per Justice Davis, she had taken in bail three times in the last six years as Justice and had one bail account currently outstanding. Contrary to her assertions, from the records found onsite, the Justice had at least 10 bail receipts and, based on available records, appears to have a liability for outstanding bail of at least \$3,600, which belongs to three people. At the time of the Justice's resignation, there were insufficient funds in her account to refund the bail when due. If the receipts are not recovered, bail will have to be repaid by the general fund or ultimately the Town residents.

## **Duplicate Receipts**

Prompt and accurate recording of receipts is an essential process needed to properly account for Court money. Whenever the Court receives money, a duplicate receipt should be prepared immediately with one part being retained by the Court and one part given to the person making the payment. Duplicate receipts must be prenumbered, be issued consecutively and accurately document the date, the person paying, the amount paid, the form of payment (cash, money order or check) and the purpose. If the system cannot be controlled and a user has the ability to alter a receipt, then the Court must use press-numbered receipts. Consecutive numbering is a requirement stated in the law as an internal control to hinder the possibility of changing receipt numbers which helps safeguard against the misuse or abuse of Court money.

The Justice used preprinted two-part duplicate receipts books to record payments. Per Justice Davis, each receipt was recorded in the duplicate receipt book with the top copy given or mailed to the defendant. We compared all receipts for the period January 1, 2011 to December 31, 2013 from the manual cash receipts books to bank deposits, computer entries and monthly reports. We found numerous issues. While reviewing records, we found 35 defendant copies of receipts which should have been given or mailed to defendants as a record of their payments. Furthermore, the receipts did not indicate the form of payment and were not used sequentially, and dates did not always correlate to other evidence, such as the date on the deposited money orders.

In addition, during our initial review of the cash receipt books on November 26, 2013, we noted that the last recorded receipt was from

July 2013. At first the Justice claimed to be unsure if she had received any receipts since the beginning of July. Because nearly five months had elapsed, we questioned this assertion. The Justice eventually recalled that a previous receipt book had not been used completely, so she had recorded receipts in that book to fill it up. A review of the previous receipt book showed that 11 receipts were entered in the back of the book, ranging in date from July 1, 2013 through November 8, 2013. A review of the current receipt book showed that there were 19 receipts in the book, and all were dated July 2, 2013. The bank composition showed that of 22 checks and money orders deposited in July 2013, all but one, a money order, was dated 2012.

## **Monthly Reporting**

Every Justice is required by law to electronically report monthly to the JCF the Court activities of the preceding month by the 10th of the following month. The electronic transmission requires the Justice to certify that the date of transmission is the date that the associated check covering collections due to the Town was remitted to the Supervisor.

During our initial interview with the Justice, she admitted that there had been a couple of times that the report was not remitted to the JCF by the 10th of the following month. She could not provide a reason for why those reports were late. However, she claimed it was very infrequent.

To verify the Justice's assertions, we reviewed 24 monthly reports and found just one month, for a month with no activity, was submitted timely. The Justice did not remit a check to the Supervisor at the time of submission for any of the 19 months that had activity, even though the Judge certified each month that she did. Three months that did not have a remittance due were still not filed timely, and the last month in our test, October 2013, was still not filed when the Justice resigned in December. In addition, for two months, the Justice did not remit \$490 to the Town Supervisor to cover the monthly balances due. The remaining reports were, on average, 102 days late when considering the date when checks were remitted to the Supervisor. The Supervisor was aware that the Justice was not transmitting reports or remitting funds to her timely. However, the only action appears to have been to make requests to the Justice to comply.

## **Court Software**

Financial and case management software should produce complete and accurate records and reports. Once information is entered into the system, its integrity should be maintained through controls that limit access and changes to the data. The software must also prevent users from making retroactive changes to the system to ensure that transactions are not altered. Sufficient Board oversight is necessary to ensure that cash is safeguarded and that Court activity is properly

recorded and reported. The Board and Justice are responsible for assessing risk within the Court's financial operations and developing, implementing and monitoring compensating controls to mitigate such risks.

The Justice used a proprietary software program to track cases, record receipts and prepare reports. We found the system allowed the user to delete or change any previously recorded entries at any time without documentation justifying the reasons for making such changes. Additionally, the Justice did not request that the software vendor change an internal setting to prevent a user from altering receipt numbers,<sup>5</sup> which raises significant concerns about data integrity. Furthermore, the Town did not purchase a system upgrade that would make an audit log available<sup>6</sup> for the Board to review. Effective audit logs provide detailed transaction information such as the time and date of all entries and adjustments, including voids or changes to the records. Ideally, the Board, or the Board's designee, reviews the audit log periodically and during an audit, which provides a mechanism for reconstructing events and monitoring problems. Consequently, the Justice has the ability to add, delete or modify any entries at any time without a record of what changes were made, which increases the possibility that the electronic data is not reliable.

In addition, the Court's software, as currently configured, allows entries to be edited or deleted even after the monthly reports have been issued to the JCF. Due to this known weakness, we compared the amounts reported to the JCF for the last 12 months<sup>7</sup> to the amounts currently shown by the computer as the amount reported. We found for six of the months tested the amounts recorded no longer agreed to the amounts reported to the JCF. Altering or adding receipts after the monthly report was generated will make the computerized records appear that proper amounts were recorded and reported, when in fact they were not. This technique has been used to conceal the misappropriation of funds in other courts.

Without reliable data, Court receipts are at risk of loss and an accurate accountability cannot be effectively established. The Board did not compensate for the lack of a computerized audit log by requiring that the Justice maintain documentation showing the reasons for deletions and changes. In addition, because adequate controls had not been implemented and used, Town officials cannot be certain that they have a complete record of the Court's collections.

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<sup>5</sup> Changing this setting would force the system to produce sequentially numbered receipts.

<sup>6</sup> In March 2011, a security upgrade was made available for a one-time fee. Included in this upgrade is the ability to generate audit logs.

<sup>7</sup> August 2012 to July 2013

## Annual Audit

Town justices are required to present their complete books and records to the Board for audit by January 20th of the following year. If done properly, this required internal control allows the Board to gain reasonable assurance that all receipts were appropriately accounted for by verifying that transactions were properly recorded and reported.

The Board did not audit books and records of the Justice during our audit period as required by New York State Town Law (Town Law). Without an annual audit, Town officials are at risk of failing to detect and correct errors, irregularities, or fraudulent activity in a timely manner. Had the Board conducted the required annual audit, the deficiencies and cash shortage identified in this audit would likely have been identified sooner and prompted corrective action to be taken.

## Recommendations

The Justice should:

1. Prepare monthly bank reconciliations and accountabilities by comparing all cash-on hand and on deposit with a list of Court liabilities.
2. Deposit all receipts within 72 hours.
3. Maintain adequate bail records to support the amount of bail held by the Court at any given date.
4. Prepare and provide proper receipts for all money collected. All receipts should be prenumbered, issued in consecutive order and include the amount received, from whom, for what reason and in what form paid.
5. Prepare accurate monthly reports and submit them to the JCF and the corresponding remittance to the Supervisor by the 10th of the following month.
6. Present records and dockets to the Board for audit at least annually.

The Board should:

7. Take appropriate action to recover the loss due to the Town and New York State.
8. Regularly review bank reconciliations and accountability calculations. Differences should be promptly investigated and corrective action taken as needed.

9. Ensure that all monthly reports are submitted timely to the JCF.
10. Verify that proper receipts are issued and recorded for all money collected.
11. Assess the risk areas in the Court (such as the ability to change recorded receipts) and develop compensating controls to mitigate these risks.
12. Consider upgrading the Court's software to provide audit logs for review. In the absence of an audit log, the Justice should maintain a manual log documenting the reason for all changes and deletions made within the computerized financial system.
13. Conduct a thorough annual audit of the Justice's records.

## Supervisor's Records and Reports

The Board is generally responsible for overseeing the Town's operations and ensuring that procedures are in place to safeguard the Town's financial resources. An important part of the Board's oversight responsibility is to ensure that it receives sufficient monthly reports from the Supervisor to adequately monitor the budget and to ensure that the annual report is filed with the Office of the State Comptroller (OSC) accurately and timely as required. The Board is also responsible for conducting an annual audit, or causing an audit, of the records and reports of all Town officers, including the Supervisor, and employees who receive and disburse cash, to help ensure that all Town money has been adequately accounted for.

We found that the Supervisor's financial records were not complete and sufficiently monitored. The monthly reports the Supervisor provides to the Board do not contain sufficient detail to allow the Board to make sound financial decisions. The Board accepted these reports and did not request additional information. The Supervisor also did not provide the Board with monthly budget-to-actual reports or cash flow statements. The Supervisor also did not file the required annual report with OSC on time. In addition, the Board did not conduct an annual audit of the Supervisor's books and records. As a result, the Board does not have the financial information it needs to effectively monitor the Town's operations. In addition, the failure to file the annual reports in a timely manner and the lack of an annual audit of the Supervisor's records and reports increases the risk that errors or irregularities could occur and not be detected or corrected in a timely manner.

### Records and Reports

Town Law requires the Supervisor to submit a report to the Board at the end of each month that accounts for all money received and disbursed during the month for each fund and special district to adequately monitor the Town's financial affairs. It is the Supervisor's responsibility to report complete and accurate financial information to the Board so it has the data needed to effectively monitor and govern Town operations. Good internal controls require that the Board receive budget-to-actual revenue and expenditure reports and cash flow statements from the Supervisor monthly.

The Supervisor provided the Board with monthly financial reports. However, these reports did not provide the Board with adequate information to monitor Town operations because the reports provided summary information but no details for each account. For example, the Supervisor did not provide the Board with monthly cash flow

statements or budget-to-actual reports for monitoring operations. Instead, the Board relied on the Supervisor to monitor the budget and to bring any issues to its attention. The Board, as a whole, is responsible for monitoring the budget and it should not rely solely on the Supervisor to monitor the budget and bring to its attention what, if any, budget transfers need to be made and the amount of these transfers.

In addition, the Supervisor is responsible for filing the Town's annual financial report with OSC no later than 60 days after the close of the Town's fiscal year. However, the Supervisor did not file the Town's annual financial report timely for 2012 or 2013.<sup>8</sup> While it is the Supervisor's responsibility to complete and file this report, the Board should have procedures to ensure the accuracy of the report and that the Supervisor submits it to OSC by the due date. Because the financial reports provided to the Board were not sufficient, the Board was unable to make informed financial decisions or adequately monitor the Town's fiscal health.

## Annual Audit

Town Law requires all Town officers and employees who receive or disburse money during the previous fiscal year to present their books and records to the Board for audit by January 20th of the following year.<sup>9</sup> In addition, all officers and employees, other than the Justice, at the time of submitting their books and records must file detailed statements showing all receipts and disbursements for the previous fiscal year. Such statements must be recorded in the minutes of the Board's proceedings.<sup>10</sup> It is important for the Board to determine whether effective procedures are in place to ensure financial transactions are properly recorded and reported, and that all money is accounted for properly. This is especially important in small towns where limited segregation of duties exists.

The Board did not audit books and records of the Supervisor during our audit period as required by Town Law. Without an annual audit, Town officials are at risk of failing to detect and correct errors,

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<sup>8</sup> The 2012 AUD was filed late, without an extension, on April 7, 2013. The report was not accurate. After multiple attempts by OSC to get information, the 2012 AUD was filed accurately on March 5, 2014. Because the 2012 AUD was delayed, the 2013 AUD still had not been filed as of April 8, 2014. The 2013 AUD was not accurate and has not been completed as of March 4, 2015. An extension was granted for the 2014 AUD. However, it cannot be completed until the 2013 AUD is filed.

<sup>9</sup> The Town may also engage the services of a certified public accountant or public accountant to perform the annual audit within 60 days of the close of the fiscal year.

<sup>10</sup> While Justices are not required to file an annual report with the Board, they must provide access to all court records including their dockets for the Board to examine.

irregularities or fraudulent activity in a timely manner. Had the Board conducted the required annual audit, the deficiencies identified in this audit would likely have been identified sooner and prompted corrective action to be taken.

## **Recommendations**

The Board should:

14. Ensure that adequate information and reports are provided at each Board meeting to enable the Board to effectively monitor the Town's operations.
15. Ensure that the Town's accounting records are complete and accurate and that the annual report is filed timely with OSC.
16. Perform the required annual audit of the records and reports of the Supervisor or hire a public accountant to complete the audit.
17. Document and retain the results of the audits, indicating the tests performed, the records reviewed and the results of the audits, and note the results in the Board minutes.

**APPENDIX A**  
**RESPONSE FROM LOCAL OFFICIALS**

The local officials' response to this audit can be found on the following page.

Town of Cameron  
P.O. BOX 1932  
CAMERON, NEW YORK 14819

December 30, 2016

State of New York  
Division of Local Government  
and School Accountability  
110 State Street  
Albany NY 12236-0001

This is in response to your Report of Examination of the Town of Cameron Justice Court and Town Supervisor.

I have met with State Auditors and went over the report and findings, have also met with the members of the Town Board we all agree with the reports findings

We have taken steps to comply with the State's rules and it is working well with the new Justice

The Supervisor's report will also have changes as we move to computers and software instead of all paper.

Our plan of action is already in progress and will be mailed by due date

Respectfully

Town Supervisor

## APPENDIX B

### AUDIT METHODOLOGY AND STANDARDS

The objectives of our audit were to review internal controls established over the Town Supervisor's and Justice Court's financial activities. To achieve our objectives and obtain valid audit evidence, our procedures included the following:

- We interviewed Town officials and employees and reviewed Town minutes to obtain an understanding of operations relating to the Town and Court.
- We gained an understanding of internal control procedures over Town and Court operations.
- We reviewed all of the Justice's available banking and disbursement records for our audit period. Using this information, we assessed whether the Justice had properly accounted for receipts and deposited, remitted and reported money in a timely and accurate manner.
- We compared amounts recorded in the Justice's manual and computerized financial records to amounts included in the Court's monthly reports to JCF.
- We reviewed the press-numbered receipt books to determine total receipts issued for collections made during our audit period.
- We reviewed all bank statements and copies of canceled checks and compared disbursement payments made with amounts reported to JCF for our audit period.
- We reviewed all manual press-numbered receipts, cashbook records, bank statements, deposit compositions and JCF monthly reports for 2011 through 2013.
- We performed a cash accountability as of December 31, 2013 to determine if all known receipts collected during the period January 1, 2011 through December 31, 2013 were properly deposited by reviewing bank statement and deposit compositions obtained from the bank. We verified whether receipts were properly included in the monthly reports to the JCF.
- We obtained computerized data covering the audit period and analyzed it using audit software.
- We reviewed the records, bank reconciliations, reports and budgets of the Town Supervisor for 2013, then updated our review in February 2015 to include 2014 records.
- We reviewed annual report filings for timeliness.
- We tested abstracts and claims processing.

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## APPENDIX C

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**AND SCHOOL ACCOUNTABILITY**

Andrew A. SanFilippo, Executive Deputy Comptroller  
Gabriel F. Deyo, Deputy Comptroller  
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