

Town of Hancock

Justice Court Operations

MAY 2021



OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

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Report Highlights

Town of Hancock

Audit Objective

Determine whether the Town of Hancock (Town) Justice Court (Court) fines and fees were properly accounted for.

Key Finding

Fines and fees we tested were properly recorded and deposited intact and in a timely manner. However, monthly accountabilities were not performed and cash balances exceeded known liabilities by \$3,436 as of June 30, 2020.

Key Recommendations

- Prepare monthly accountabilities and promptly investigate any differences.
- Determine the source of unidentified cash balances.

Justice Court officials agreed with our recommendations and indicated they plan to initiate corrective action.

Background

The Town is located in Delaware County and is governed by an elected Town Board (Board) composed of four members and a Town Supervisor (Supervisor).

The Town has one elected Justice who is responsible for all funds received and disbursed by the Court and for safeguarding Court resources.

Two Court clerks (clerks), one full-time and one part-time, assist the Justice with processing cases and related financial transactions, including submitting monthly financial activity reports and the disposition of tickets to various local and New York State agencies.

Quick Facts

Revenues Reported to Justice Court Fund	\$792,804
Number of Justice Court Transactions	3,958

Audit Period

January 1, 2019 – June 30, 2020

Justice Court Operations

How Should a Justice Account for Court Fines and Fees?

A justice is responsible for maintaining complete and accurate accounting records and safeguarding all funds collected by the court. A justice, or court clerk, should issue press-numbered receipts in consecutive order and indicate the form of payment (e.g., cash or check) to acknowledge the collection of funds paid to the court. Proper receipts serve as evidence of individual collections and help ensure accounting records are complete and accurate. All funds should be deposited intact (i.e., in the same amount and form as collected) and are required to be deposited as soon as possible, but no later than 72 hours from the date of collection, exclusive of Sundays and holidays. Justices are required to remit, within 10 days, all revenues collected from the preceding month to the Town Supervisor and report to the Office of the State Comptroller's Justice Court Fund (JCF) the financial activities of the preceding month.

A justice, or court clerk, should also perform a bank reconciliation to the checkbook and an accountability of funds by preparing a list of court liabilities and comparing it to reconciled bank balances and money on hand. Court liabilities should equal the available cash balance. Any discrepancies should be investigated and resolved, and any unidentified funds should be remitted to the JCF. Bank reconciliations and accountability analyses are critical procedures to determine the status of money held by the court and to enable a justice to check for and correct errors or identify cash shortages.

Collections Were Recorded Accurately and Receipts Were Deposited and Remitted in a Timely Manner

We reviewed all 611 court transactions during November 2019 and June 2020 and ensured that transactions involving a cash receipt were properly recorded and deposited and that the Justice's adjudication was properly reported to New York State's Department of Motor Vehicles (DMV) when necessary. Our sample included 423 duplicate receipts issued totaling \$83,809; 412 tickets disposed of and reported properly to DMV, 166 tickets still pending, 17 non-traffic related tickets and 16 traffic tickets that were properly collected and deposited by the clerks, but not found in the DMV database.

Fines collected were recorded in the accounting system by the clerks. The system recorded the composition of each receipt, and we were able to verify the deposits were made intact and deposited within the allotted 72 hours from date of collection. We also traced the receipts to the bank records and monthly reports and determined all collections were accounted for and revenues were appropriately remitted to the Supervisor in a timely manner. Finally, except for minor discrepancies which we discussed with the Justice, we verified that all \$15,563 in disbursements for bail refunds or overpayments from the Justice's account were properly supported.

Bank Reconciliations Were Performed, But Accountabilities Were Not

The Justice maintained one bank account for fines, fees and bail. The full-time clerk performed bank reconciliations, but did not prepare monthly accountabilities to ensure that all collections were accurately accounted for and discrepancies could be promptly identified and resolved.

We verified the accuracy of the December 2019, May 2020 and June 2020 bank reconciliations with no exceptions. We also prepared accountabilities for the Justice's account as of December 31, 2019, January 31, 2020 and June 30, 2020 and found cash balances exceeded liabilities each month. As of June 30, 2020 cash on hand exceeded the known liabilities substantiated by Court records by \$3,436 (Figure 1).

Figure 1: Justice's Fines, Fees and Bail Account - Accountabilities as of:

	12/31/2019	1/31/2020	6/30/2020
Court Assets			
Month Ending Bank			
Statement Balance	\$55,187	\$53,687	\$38,841
Plus: Deposits in Transit^a	(1,070)	3,253	3,137
Total Assets	\$54,117	\$56,940	\$41,978
Court Liabilities			
Due to JCF	\$47,811	\$52,475	\$36,156
Bail	4,690	4,150	2,250
Outstanding Checks	1,500	39	136
Total Liabilities	\$54,001	\$56,664	\$38,542
Difference	\$116	\$276	\$3,436

a) Credit card payments overlap months when made at or near month-end. A negative number means the previous month had more activity recorded than the subsequent month of our accountability.

The Justice and full-time clerk could not provide an explanation for the variances, but told us they were aware of the differences and had been working to resolve the discrepancies prior to the COVID-19 Court closure. Based on information we reviewed during preparation of the accountabilities, we determined the variances were caused in part by timing differences with the receipt of credit card payments remitted by the Court's third-party credit card processing vendor and how the clerks record these payments in the accounting system. However, as of December 14, 2020 Court officials did not know the composition of the unidentified balances because monthly accountabilities were not completed.

When accountabilities are not prepared, there is a risk that unidentified funds can remain on deposit and that errors or irregularities can occur and remain undetected.

What Do We Recommend?

The Justice should:

1. Determine the source of unidentified cash balances on hand and report it to the JCF.
2. Perform monthly accountabilities of all Court cash assets and known liabilities, and promptly investigate and resolve any discrepancies.

Appendix A: Response From Town Officials

Town Justice Court
Town of Hancock New York

April 5, 2021

I acknowledge receipt of the draft report of the Town of Hancock Justice Court Operations audit completed March 2021. The senior court clerk and I have read the report as presented and agree with the Key Findings and Key Recommendations. Going forward, we will be completing the Accountabilities report on a monthly basis.

As noted in the report, it appears the timing difference associated with the payment and posting of our third party credit card vendor is the primary reason for end of the month differences on the Accountability report. We understand a court in our area has the same vendor and in an effort to resolve the completion of the accountabilities report and to obtain a zero balance, we will be contacting that court to learn the process they are using and apply same to our situation. Should we continue to have an issue with this, we will contact the OSC for guidance.

I wish to thank the OSC staff who worked with us on the audit for their professionalism. If there are any questions, please contact me at any time.

Very truly yours,

Michael T. O'Brien

Town Justice

Appendix B: Audit Methodology and Standards

We conducted this audit 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. To achieve the audit objective and obtain valid audit evidence, our audit procedures included the following:

- We interviewed Court officials and reviewed the Court's policies and procedures to gain an understanding of Court operations.
- We randomly selected November 2019 and June 2020 fines, fees and bail collected to determine whether collections were properly recorded and deposited intact and in a timely manner. We traced a total of 423 duplicate receipts totaling \$83,809 from these months to Court records and the bank statements to determine if collections were properly recorded and deposits were made timely and intact.
- We reviewed all 611 court transactions from November 2019 and June 2020 and ensured that the Justice's adjudication of the tickets were properly reported to DMV as either disposed or pending.
- Using electronic data analysis, we compared all tickets on record with the Court to electronic records from the DMV to ensure that information including fines, fees and/or surcharges were properly reported. For any discrepancies found, we traced to supporting documentation, such as case files or ticket copies.
- We prepared monthly accountabilities for December 31, 2019, January 31, 2020 and June 30, 2020 to determine whether cash on hand agreed with known liabilities.
- We reviewed all disbursements from the Justice's bank account made during our audit period and traced them to monthly reports and bail returns to determine whether they were for appropriate purposes and had proper supporting documentation.

We conducted this performance audit in accordance with generally accepted government auditing standards (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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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.

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 provided to our office within 90 days, pursuant to Section 35 of 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 the CAP available for public review in the Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2018-12/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263196&issued=All

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/local-government/fiscal-monitoring

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263206&issued=All

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/local-government/resources/planning-resources

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/sites/default/files/local-government/documents/pdf/2020-05/cyber-security-guide.pdf

Required Reporting – Information and resources for reports and forms that are filed with the Office of the State Comptroller

www.osc.state.ny.us/local-government/required-reporting

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/local-government/publications?title=&body_value=&field_topics_target_id=263211&issued=All

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/local-government/academy

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/local-government

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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