



Town of Eastchester Parking Ticket Collections

Report of Examination

Period Covered:

January 1, 2010 — May 31, 2012

2012M- 146



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	4
PARKING TICKET COLLECTIONS	5
Recommendations	6
APPENDIX A Response From Local Officials	7
APPENDIX B OSC Comment on the Town's Response	10
APPENDIX C Audit Methodology and Standards	11
APPENDIX D How to Obtain Additional Copies of the Report	12
APPENDIX E Local Regional Office Listing	13

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

May 2013

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 Board of Trustees 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 Eastchester, entitled Parking Ticket Collections. 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 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*

Introduction

Background

The Town of Eastchester (Town) is located in Westchester County and has a population of approximately 32,000 residents. The Town is governed by an elected five-member Town Board (Board) including the Town Supervisor. The Board is the legislative body responsible for overseeing the operations, finances, and overall management of the Town, including the activities of the Town Justice Court (Court). The Court is administered by two elected Justices who are assisted by two Court clerks.

The Court has jurisdiction over parking, vehicles and traffic, criminal, civil, and small claims cases. The two Justices are responsible for all daily operations of the Court and for safeguarding Court resources. The Board also shares responsibility to ensure an effective system for overseeing Court operations and providing guidance to the Court through adoption of policies and procedures.

In June 2010, the Town entered into an agreement with an independent contractor (contractor) for the processing of parking tickets and enforcement of unpaid tickets. This includes mailing collection letters, assessing penalties, filing judgments against violators, and reporting delinquencies to the New York State Department of Motor Vehicles (DMV). The contractor provides Court employees remote access to his computer system. Parking enforcement and police officers generate parking tickets from handheld computers, automatically updating the contractor's database. The Court is responsible for functions relating to updating and disposition of tickets. The contractor directs the payment of fines to the Court, and the Court employees process the payments and update ticket disposition. The contractor also monitors revenue from parking violations. From January 1, 2011 to May 31, 2012, Town employees issued over 23,600 parking tickets and the Town collected approximately \$806,000 in fines for parking violations.

Objective

The objective of our audit was to examine the Court receivables for parking offenses. Our audit addressed the following related question:

- Is the system in place to collect and monitor outstanding parking tickets operating effectively?

Scope and Methodology

We examined unpaid parking tickets for the period January 1, 2010 to May 31, 2012.

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 Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Town officials generally agreed with our recommendations and indicated they planned to take corrective action. Appendix B includes our comment on an issue raised in the Town's response.

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.

Parking Ticket Collections

It is the Board's responsibility to develop appropriate policies to define how to determine parking ticket collectability and when to deem parking tickets uncollectible and remove them from the records. Further, unpaid parking tickets expected to be available to help finance Town activities should be reported as receivables at year end, provided the Town has a legal claim to the resources, and any receivables remaining unpaid for several years should be deemed uncollectible and removed from the accounting records.¹

The Court's parking ticket collection rate exceeded 85 percent during fiscal years 2010 through 2012. Despite the high collection rate, the Court still had \$1.89 million in cumulative unpaid parking tickets outstanding as of May 31, 2012. This included 10,599 unpaid parking tickets totaling \$851,906 that have been outstanding for more than five years and 9,526 unpaid parking tickets totaling \$1,039,460 outstanding for less than five years.

Although the Town has implemented procedures for collecting parking ticket fines, the amount of unpaid parking tickets continues to rise. The contractor sends out delinquent letters to violators and reports vehicles with three or more unpaid parking tickets to the Department of Motor Vehicles to suspend the vehicle's registration. Also, police cruisers have scanners attached to identify vehicles with three or more outstanding parking tickets. When identified, these vehicles are towed at the owners' expense. Town officials stated that they are in the process of removing some of these parking tickets. However, as of August 28, 2012, they still remained on the unpaid parking ticket record.

Town officials stated that parking ticket revenue is not included in the budget as a revenue source, nor are parking ticket receivables recorded, because of the uncertainty of collection. Instead, Town personnel report parking ticket revenue only when the fine is collected (i.e., on a cash basis), and uncollectible parking tickets will remain

¹ Under the modified accrual basis of accounting, the Town should recognize a receivable as soon as it has a legal claim to the resources. For example, if a defendant makes a payment for a citation or lets the response period expire without submitting a "not guilty" plea, the Town has a legal claim to the resources and would recognize a receivable for the amount of the citation and a revenue for the amount the officials believe would be collected during the Town's availability period. In the case of a citation that goes to court, recognition of the receivable occurs when the fine is imposed, as a legal claim is established at that time. Recognition of the revenue also occurs at that time if the defendant submits payment or the Town estimates the revenue will be collected within the Town's established availability period.

on the unpaid parking records until the Board establishes a process to remove them.

Town and Court officials could enhance their collection success by removal of uncollectible parking tickets from relevant records and by developing a policy that would identify a level at which officials would deem parking tickets as uncollectible and remove them from the parking and accounting records. Without established benchmarks and relevant policies and procedures, there is an increased risk that parking tickets will not be properly accounted for or appropriately processed. Further, by not recording such revenues as receivables based on realistic expectations of collection, Town officials do not have these moneys available for budgeting purposes.

Recommendations

1. The Board should adopt written policies and procedures for identifying uncollectible parking tickets and removing them from the records.
2. The Town should budget accordingly for anticipated parking ticket revenue and properly account for related revenues and receivables in the accounting records.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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



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March 20, 2013

Mr. Tenneh Blamah
Chief Examiner of Local Government and
School Accountability
Office of the State Comptroller
Newburgh Regional Office
33 Airport Center Drive, Suite 103
New Windsor, NY 12553

Dear Mr. Blamah;

This letter is in response to the draft Report of Examination performed by your office regarding Parking Ticket Collections for the period cover January 1, 2010 thru May 31, 2012.

The Town Board has adopted the following polices and procedures for identifying uncollectible parking tickets and for removing them from our records. We will review our current list of outstanding parking tickets and purge any ticket that is older than 2007. Thereafter on an annual basis we will remove any outstanding parking ticket that is six years older. The policy was adopted at the Town Board meeting of March 19, 2013

The Town all ready budgets for Justice Court fines and forfeitures which include revenues received for parking tickets. Revenues for the Town are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Fees and other similar revenues are not susceptible to accrual because generally they are not measurable until received in cash. We accrue revenues as required and believe that parking tickets revenue do not fall under the accrual definition and therefore are only recognized when received and collected.

See
Note 1
Page 10

The Town Board and Town Justices wishes to thank the OSC team for their recommendations and assistance in strengthening policies and procedures used in order to safeguard taxpayer funds.

Sincerely,

Anthony S. Colavita

cc: Dawn T. Donovan, Town Comptroller
Town Board Members
Honorable Domenick Porco, Town Justice
Honorable Janet M. Calano, Town Justice

APPENDIX B

OSC COMMENT ON THE TOWN'S RESPONSE

Note 1

Under the modified accrual basis of accounting, revenue from fines should be recognized as a receivable as soon as the Town has obtained an enforceable legal claim to the resources. An enforceable legal claim is obtained when a defendant makes a payment for a citation, lets the response period expire without submitting a “not guilty” plea, or, in the case of a citation that goes to court, when the fine is imposed.

APPENDIX C

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to examine the Court's receivables for parking offenses. To accomplish this, we conducted an on-site risk assessment of Court operations including parking ticket collection. After reviewing the information gathered during our initial assessment, we decided to audit the Court's system for collecting and monitoring unpaid parking tickets. Our audit included the following steps:

- We interviewed the two Court Justices, the Court clerks, the Town Supervisor, and the Town Comptroller to obtain an understanding of Court operations and Town policies.
- We obtained reports on parking operations from the vendor responsible for collecting revenue from parking and prepared analyses, including trends showing the annual increase in unpaid parking tickets; reviewed voided and dismissed tickets, obtained explanations, and examined approvals; and recomputed collection rates.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX D

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