



Village of Altamont Justice Court Operations

Report of Examination

Period Covered:

June 1, 2014 – March 31, 2016

2016M-199



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

July 2016

Dear Village 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 Village of Altamont, entitled Justice Court Operations. 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*

Introduction

Background

The Village of Altamont (Village) is located in the Town of Guilderland in Albany County, has approximately 1,720 residents and encompasses approximately 1.2 square miles. The Village is governed by an elected Board of Trustees (Board) composed of four Trustees and a Mayor. The Board is responsible for the general management and control of Village finances and overseeing financial activities including those of the Justice Court (Court). The Village has two elected Justices, who preside over Court operations, and one part-time clerk appointed by the Justices.

The Court has jurisdiction over vehicle and traffic, criminal, civil and small claims cases. The Justices' principal duties include adjudicating legal matters within the Court's jurisdiction and administering money collected from fines, bail, surcharges, civil fees and restitution. Justices are required to submit monthly reports to the Office of the State Comptroller's Justice Court Fund (JCF) on the financial activities of the preceding month.

The clerk collects payments to the Court and assists the Justices with their financial duties. The Court collected \$103,007 in fines and fees and \$9,015 in bail during our audit period. During our audit period, Justice Stefan resigned effective January 2, 2015 and Justice Greene was appointed to fill this vacancy effective April 1, 2015.

Objective

The objective of our audit was to review the processes and procedures for the Court's financial operations. Our audit addressed the following related question:

- Did the Court properly collect, record, deposit and report Court money in a timely manner?

Scope and Methodology

We examined Court records and reports for the period June 1, 2014 through March 31, 2016.

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 Village officials, and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they planned to initiate 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 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 Village Clerk's office.

Justice Court Operations

Justices are responsible for adjudicating cases brought before them and accounting for and reporting Court-related financial activities. Justices must safeguard all money collected by the Court. Each month, Justices are required to account for cash collections and disbursements, verify the accuracy of their financial records and reconcile all court bank accounts. Justices also should perform an accountability of funds they hold by preparing a list of court liabilities and comparing it with reconciled bank balances and money on hand. All money received by the Justices must be deposited in a timely manner and Justices must report all money collected each month (excluding pending bail) to the JCF.

The Justices properly collected, recorded and reported Court money in a timely manner, the records were current and accurate and reports to the JCF were timely and complete. However, the Justices did not ensure that Court money was always deposited in a timely manner. We reviewed eight months of financial activity during our audit period and found that the Justices and the clerk accurately accounted for money collected. However, our review of 147 receipts totaling \$24,135 collected during these months disclosed that 24 receipts totaling \$3,258 were not deposited in a timely manner. We also reviewed the Justices' bank reconciliations and accountabilities and found that accountabilities were not always prepared, which increases the risk that money may not be properly accounted for, and differences between the liabilities and cash on hand may not be identified.

Collections and Deposits

Justices are required to issue receipts to acknowledge the collection of all funds paid to the Court. Justices should also record each receipt in the cash receipts section of the accounting records. Justices are required to deposit all Court funds collected intact (i.e., in the same amount and form as originally collected) as soon as possible but no later than 72 hours from the date of collection, exclusive of Sundays and holidays. Deposited amounts should always agree with amounts received and recorded.

The clerk collected Court funds for all three Justices. She deposited the funds collected for Justices Hout and Stefan and placed Justice Greene's collections in a locked drawer and notified him so he could deposit these funds. The clerk issued duplicate receipts for every payment received, entered these amounts into the computerized Court management software and prepared the monthly reports to the JCF.

We reviewed one month of Court case activity for each Justice (120 cases) during our audit period. We traced each case to supporting

disposition to determine if collections were properly recorded and found no discrepancies. Every case we reviewed was either dismissed, paid, referred to the New York State Department of Motor Vehicles (DMV) Scofflaw Program¹ or outstanding as of the end of our fieldwork.

We also examined eight months of collections (147 cash receipts totaling \$24,135) to determine if they were recorded in the Justices' cashbooks, deposited intact into the appropriate bank account in a timely manner and included on the monthly reports to the JCF. From our review of the receipt books, monthly reports to JCF, accounting records and the associated bank statements, we found that all these receipts were accurately recorded, reported and deposited intact. However, 24 receipts totaling \$3,258 were not deposited in a timely manner.

For example, the clerk received \$153 for Justice Hout on September 11, 2015, which was deposited on October 2, 2015, 18 days after the money was received, or 15 days late. The clerk received three payments totaling \$435 for Justice Stefan on November 18, 2014, which was deposited on December 5, 2014, 14 days after the money was received, or 11 days late.

The clerk and Justice Greene told us that money was deposited late on occasion due to the part-time nature of Court operations. The clerk told us that she did not always promptly inform Justice Greene that funds were collected and ready for him to deposit. When deposits are not made in a timely manner, there is an increased risk that amounts collected could be misappropriated.

Bank Reconciliations and Accountabilities

Each month, Justices are required to account for cash collections and disbursements, verify the accuracy of their financial records and reconcile all Court bank accounts. Justices also should perform an accountability of funds they hold by preparing a list of Court liabilities and comparing it with reconciled bank balances. At any point in time, Court liabilities, such as bail held on pending cases and unremitted fines and fees, should equal the Justices' available cash balance as recorded in the cashbook at month-end.

While the Justices and clerk generally accurately accounted for Court money received, monthly accountabilities were not always prepared and discrepancies were not always investigated and resolved.

¹ The Scofflaw Program allows local justice courts to notify the DMV when a vehicle registrant has an unresolved (failure to pay the fine or failure to appear on the court date) traffic ticket for a 60-day period. When this occurs, the DMV notifies the individual and gives them 30 additional days to address the issue. If the individual has not taken action, then the DMV suspends the individual's license until they address the outstanding ticket.

Justice Stefan – The clerk prepared the monthly accountabilities and bank reconciliations for Justice Stefan through our audit period until the Justice resigned in January 2015. We reviewed two bank reconciliations and accountabilities prepared by the clerk and found that the cash on hand balances agreed with all the related liabilities and the ending cashbook balances agreed with the adjusted bank balances.

Justice Hout – The clerk prepared the accountabilities for Justice Hout from June 1, 2014 through August 31, 2015. While the clerk has not prepared formal accountabilities since August 2015, she did prepare bank reconciliations for the Justice throughout our audit period. The clerk told us she stopped preparing the accountabilities because she was aware that the adjusted bank balance would be less than the cashbook balance by \$380, an overpayment to the JCF from prior years that she was actively pursuing.

However, we reviewed four months of Court activity for Justice Hout and found that the clerk prepared accountabilities for two of these months. We prepared accountabilities for the remaining two months and reviewed the clerk’s accountabilities. We found that the balance in the Justice’s bank account was \$30 more than the cashbook balance, which related to transactions occurring before the start of our audit period. The clerk told us she was unaware of this overage or why it might have occurred.

Justice Greene – The clerk prepared the April 2015 accountability for Justice Greene (the month his service began) but has not prepared an accountability since then. We found that while the Justice reconciles his checkbook balances with the bank statements, he does not document this reconciliation in the form of a formal accountability. We reviewed the Justice’s bank reconciliations and prepared accountabilities for two months during our audit period. We found that month-end the cash on hand agreed with all the related liabilities and the cashbook balance agreed with the adjusted bank balance.

When accountabilities are not prepared, it increases the risk that Court money may not be properly accounted for and differences between the liabilities and cash on hand may not be identified.

Recommendations

The Justices should:

1. Ensure that all collections are deposited within 72 hours of receipt.
2. Take steps to identify the source of the overage in Justice Hout’s bank account and remit the funds to the JCF.
3. Ensure that monthly bank reconciliations and accountabilities are prepared and documented.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

VILLAGE OF ALTAMONT

115 Main Street PO Box 643 Altamont, New York 12009
Phone (518) 861-8554 Fax (518) 861-5379

Mayor

James M. Gaughan
Patty Blackwood, Clerk
Catherine Hasbrouck, Treasurer

Kerry Dineen, Trustee
Nicholas Fahrenkopf, Trustee
Dean Whalen, Trustee

July 18, 2016

[REDACTED]
NYS Office of the State Comptroller
Division of Local Government & School Accountability
One Broad Street Plaza
Glens Falls, NY 12801

Re: NYS Comptroller's Audit 2016M-199

Dear [REDACTED]

This letter is to acknowledge that the Village of Altamont is in receipt of subject audit preliminary report. Altamont Justices Rebecca Hout and James Greene met with audit representatives on July 14, 2016 to discuss the findings and to outline the actions that have already been put in place during the course of the audit by the Village Court. Please consider this correspondence as the Village's official remediation plan. The State Office of the Comptroller made three recommendations to the Altamont Justice Court, all of which have been immediately adopted and addressed as noted above prior to the reception of the preliminary draft.

The court will: 1) complete the Comptroller's "accountability form" on a monthly basis; 2) make court deposits within 72 hours subject to the limitations related to the work schedules of part-time court staff, bank hour schedules, and unexpected emergency situations. Staff will include notations of such circumstances in office files when deposits cannot be made in said time frame; and 3) complete researching and addressing the \$30 over payment to the Justice Court Fund.

If there are any questions regarding the follow up and outline of corrective action undertaken, please contact us to discuss.

Sincerely,

James M. Gaughan
Mayor

Cc: J. Leonard, NYS Office of the State Comptroller

[REDACTED]
Village Board of Trustees
Rebecca Hout, Village Justice
James Greene, Village Justice
Stacy Loucks, Village Justice Clerk
Patty Blackwood, Village Clerk
Catherine Hasbrouck, Village Treasurer

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

To achieve our audit objective and obtain valid evidence, we performed the following procedures:

- We interviewed Village officials and Court employees to determine if policies and procedures were in place for Justice Court operations.
- We judgmentally selected one month of Court case activity from each Justice serving during our audit period and traced each case to its dismissal; collection of fees, fines and surcharges imposed; coverage by another charge and disposition of that charge; and coverage by another jurisdiction, to current case activity, such as partial payments or other disposition.
- We judgmentally selected eight months of Court financial activity: four months for Justice Hout who served throughout our audit period, two months for Justice Stefan who resigned in January 2015 and two months for Justice Greene who served from April 2015 through the end of our audit period. To determine if deposits were made in a timely manner, we compared the receipt dates from the duplicate receipts to the deposit dates in the deposit records and bank statement and calculated the 72-hour requirement for deposit timeliness based on the number of days from receipt to deposit (excluding Sundays and holidays).
- We compared the information from the duplicate receipts to the deposit records kept on file for each Justice to determine if collections were deposited intact.
- We compared the duplicate receipt information to the JCF report for each previously selected test month and, if necessary, to the following month to determine if receipts agreed with the monthly reports. To determine if the report agreed with the bank statement and whether funds were properly disbursed to the JCF, we compared the total amount reported on the monthly JCF report to the following month's bank activity.
- We prepared accountabilities for the eight previously selected months when accountabilities were not prepared by the clerk or the Justice by calculating the adjusted bank balance and comparing it to the cashbook balance at month-end to determine if the balances agreed. We traced the bank balances to the bank statements, outstanding checks to the cashbooks and bail deposits to the bail and deposit records. For those months when accountabilities were prepared, we reviewed them for accuracy and determined if they were adequately supported by cashbook entries, monthly reports to JCF, bail reports and bank statements.

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

APPENDIX C

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AND SCHOOL ACCOUNTABILITY

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