



THOMAS P. DiNAPOLI
COMPTROLLER

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER
110 STATE STREET
ALBANY, NEW YORK 12236

GABRIEL F. DEYO
DEPUTY COMPTROLLER
DIVISION OF LOCAL GOVERNMENT
AND SCHOOL ACCOUNTABILITY
Tel: (518) 474-4037 Fax: (518) 486-6479

August 15, 2014

John Strough, Town Supervisor
Members of the Town Board
Honorable Robert McNally, Town Justice and
Honorable Michael Muller, Town Justice
Town of Queensbury
742 Bay Road
Queensbury, NY 12804

Report Number: S9-14-02

Dear Supervisor Strough, Members of the Town Board, Town Justice McNally and Town Justice Muller:

The Office of the State Comptroller works 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 assets.

In accordance with these goals, we conducted an audit of five Justice Courts (Courts) across New York State. The objective of our audit was to determine if Justice Court officials properly collected, reported and remitted moneys on behalf of the Court. We included the Town of Queensbury (Town) Court in this audit. Within the audit scope, we examined the Court's policies and procedures and reviewed accountability and internal controls for the period January 1, 2012 through December 31, 2013. Following is the report of our audit of the Town Justice Court.

This report of examination letter contains our findings and recommendations specific to the Town. We discussed the findings and recommendations with Town officials and considered their comments, which appear in Appendix A, in preparing this report. Town officials generally agreed with findings and recommendations and plan to implement corrective action.

Summary of Findings

Based on our testing, we found the Court has properly collected and remitted moneys received. However, the Court is not reporting scofflaw traffic violation offenders to the State's Department of Motor Vehicles (DMV) in a timely manner. In addition, we found weaknesses with the Court's

information technology system (System). As a result, the ability of Town and Court officials to effectively monitor and control Court operations was limited, and errors or irregularities could occur and not be detected or corrected.

Background and Methodology

The Town covers 72 square miles and has approximately 27,900 residents. The Town Board (Board), comprising a Supervisor and four Board Members, is the governing body responsible for overseeing the Court's general management and financial operations. The Supervisor serves as the chief executive officer and, along with other administrative staff, is responsible for the Town's day-to-day operations. The Court's 2013 budgeted appropriations were \$320,450.

During the audit period, the Court operated with two Justices, Robert McNally and Michael Muller, and four Court clerks. According to the Court's information technology system (System), the Court collected 16,856 payments totaling approximately \$2.23 million in fines, surcharges and fees from January 1, 2012 through June 30, 2013.

Town Courts are part of New York State's Unified Court System and play a vital role in upholding State and local laws. Town Justices (Justices) are empowered to hear civil and criminal cases and adjudicate misdemeanors, minor and criminal violations and traffic infractions. Most cases involve minor violations and traffic infractions. Justices are responsible for imposing and collecting fines, surcharges, bail, civil fees, DNA fees, sex offender fees, and sex offender victim fees and reporting adjudicated cases to the State. On a monthly basis, Court personnel remit the moneys collected to the Office of the State Comptroller's Justice Court Fund (JCF) or to the Town's chief fiscal officer.

To complete our audit objective, we conducted interviews with Town officials and reviewed adopted policies and procedures, accounting records and vehicle traffic tickets. 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 is included in Appendix B of this report.

Audit Results

Justices are responsible for adjudicating cases brought before their Court and accounting for and reporting Court-related financial activities. They also must ensure that effective internal controls are in place to properly safeguard cash and other Court resources. Such controls should ensure that financial transactions are processed in a timely manner and properly recorded; that appropriate financial reports are accurate and filed in a timely manner; that applicable laws, rules and regulations are observed; and that the work performed by those involved in the Court's financial operations is monitored and reviewed routinely. The Board shares the Justice's primary responsibility for ensuring that an effective system of internal controls is in place for overseeing Court operations. If these internal control components are lacking or malfunctioning, accountability over the Court's financial operations is greatly diminished.

Based on our testing, we found that the Court properly collected and remitted moneys received. However, we found that the Court did not report unpaid and unresolved traffic tickets to the DMV

in a timely manner. Furthermore, the Court's System does not have adequate controls and no one reviews audit trails of user transactions.

Traffic Tickets – Justices should periodically update and reconcile DMV reports (pending and disposed/dismissed tickets) with current caseload activity. The local and State police agencies issue Uniform Traffic Tickets (UTT) for vehicle and traffic infractions. The DMV tracks the tickets by adding pertinent information to its Traffic Safety Law Enforcement and Disposition (TSLED) database. Upon adjudication, when all fines are paid, the Court must send a copy of the ticket to the DMV for it to be removed from the pending-ticket database. Among the reports available to the Court is a list of all pending UTT cases, which the Justice may use to help ensure that tickets are processed by the Court in a timely manner. This report can also identify individuals who either have not appeared in Court to resolve their ticket or have not paid their fine. The Court may enforce the payment of these fines by using the DMV Scofflaw Program.¹ The Court has to wait 60 days from either the date of appearance or last payment before sending paperwork to the DMV to suspend the motorist's driving privileges.

We found the Court did not enforce unresolved tickets with the DMV in a timely manner. The Court scans its open UTT case files, separates the cases that are 60 days old or older, marks the case files as unresolved in the System and reports this information to the DMV. Due to the deficiency, we selected 30 unresolved UTT case files and found that it took an average of 101 days to address these cases. The Court has not effectively monitored outstanding tickets in its caseload and reconciled them with DMV records. Court officials attributed the lack of timeliness to the time-consuming process of manually reviewing outstanding tickets.

When the Court does not reconcile monthly DMV reports with its current caseload activity, unpaid fines and fees may not be enforced in a timely manner, potentially resulting in lost revenue to the Town.

Information Technology Controls – 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 unauthorized changes to the data. Effective software controls provide a means to determine the identity of users and the transactions they processed. Software controls should also prevent users from making retroactive changes to the system to ensure that all transactions reflect the date they were recorded. Further, users should not have system access beyond what they need to complete their job responsibilities. To assure accountability and help troubleshoot data errors, an automated audit log, or trail, can provide management with a report that shows who made modifications to the system and what transactions took place. Routine management review of audit logs is an important measure to monitor user activities.

We found that the Court's System permits files to be changed or deleted without documenting the reason. For example, after a cash receipt record is created with a receipt number, the number can be subsequently changed. In addition, the System does not produce an audit log of activity for the

¹ The DMV Scofflaw Program allows local justice courts to notify the DMV when an individual 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 or Board to review for changes to or deletions of cases. As a result, there is no individual accountability for changes to case records, which significantly increases the risk of errors or irregularities in the Court and limits the ability of the Court or Board officials to review Court activity from system-generated reports.

Recommendations

1. The Justices should periodically review and reconcile the DMV pending-ticket log with the Court's caseload activity to ensure that tickets are properly reported, as paid or enforced, in a timely manner.
2. The Board and Justices should assess the risk areas in the Court software, such as an inadequate audit trail and insufficient automated controls, develop compensating controls to mitigate these risks (e.g., periodically comparing physical cash receipts to the cash receipts log in the software) and contact the software vendor as necessary to address the weaknesses.
3. The Board should ensure that a system-generated audit trail is routinely reviewed by someone independent of the recordkeeping process for unusual or potentially unauthorized transactions.

The Board has the responsibility to initiate corrective action. Pursuant to Section 35 of the General Municipal Law, a written corrective action plan (CAP) that addresses the findings and recommendations in this report must be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. To the extent practicable, implementation of the CAP must begin by the end of the next fiscal year. 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.

Our office is available to assist you upon request. If you have any further questions, please contact Ann Singer, Chief of Statewide Audits, at (607) 721-8306.

We thank Town officials and the staff of the Queensbury Justice Court for the courtesies and cooperation extended to our auditors during this audit.

Sincerely,

Gabriel F. Deyo

APPENDIX A

RESPONSE FROM TOWN OFFICIALS

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



TOWN OF QUEENSBURY

"Home of Natural Beauty...A Good Place to Live" Settled 1763

April 8, 2014

Office of the State Comptroller
Attn: Ms. Ann Singer
Chief Examiner
44 Hawley Street, Room 1702
State Office Building
Binghamton, NY 13901

RE: Response and Corrective Action Plan for your Report S9-14-02

Dear Ms. Singer,

This letter is in response to your audit of the Town's Justice Court dated March 17, 2014.

The Town appreciates your office's efforts conducting the audit and would like to thank the auditors for working with the Town Justices and staff.

In response to the audit results and recommendations, the Town would like to respond as follows:

Traffic Tickets:

The delay in reporting of traffic tickets to the DMV's Scofflaw program, noted in your audit, is due to seasonal fluctuation of the amount of tickets issued in the Court's jurisdiction. To date, the backlog reported in your audit has been caught up and the Justices will be monitoring the reporting more closely.

Information Technology Controls:

Your report notes a lack of accountability and audit trail in the Court's software program. The Court is using ■■■ a program recommended to Courts by the Office of Court Administration. The lack of accountability and audit trails was due to a failure of ■■■ to communicate to the Court that a software upgrade was available for minimal cost that would fix this deficiency. As of the date of the exit conference of your audit, this update has been installed and the finding of lack of accountability has been addressed. The Court will reach out to ■■■ periodically to ensure that the system receives any upgrades necessary.



TOWN OF QUEENSBURY

"Home of Natural Beauty...A Good Place to Live" Settled 1763

The Town has addressed your findings and recommendations and I hope that the corrective actions implemented address the report findings to your satisfaction and are in compliance with Section 35 of the General Municipal law.

If you need any further information or have any questions, please feel free to contact me at any time.

I would like to thank you and your staff for the professionalism and courtesy shown during the audit process.

Sincerely,

John F. Strough
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to determine if Justice Court officials properly collected, reported and remitted moneys on the Court's behalf. As part of our audit, we performed the following procedures:

- We interviewed the Justices and officials to obtain general background Court information. We also interviewed the Justices and clerks to gain an understanding of the Court's processes as they relate to the audit objective.
- We reviewed cash receipt journals, deposit slips, tickets and bank statements as well as transactions in the Court's financial system. We also assessed the controls in place over the Court's System.
- We reviewed monthly JCF reports and information reported to the DMV. We obtained ticket information from the DMV and the JCF and analyzed the data for tickets included in the DMV file, but not in the JCF file. We also identified tickets with different fines or surcharges and investigated the reasons for the differences.
- We contacted motorists who had dismissed tickets, for which there was no supporting documentation, to determine that the tickets were in fact dismissed with no fine or surcharge due. We reviewed the information from the computer program that is used to report to the JCF and the DMV. We reviewed DMV TSLED reports to see if the Court is reporting motorists, who have a pending ticket that is more than 60 days old, to the DMV in a timely manner.

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.