



Town of Colonie

Justice Court Operations

Report of Examination

Period Covered:

January 1, 2012 — January 31, 2014

2014M-114



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

June 2014

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 Colonie, 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 General Municipal Law.

This audit's results 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 Colonie (Town) is located in Albany County and has a population of approximately 82,000 residents. The Town is governed by a seven-member elected Town Board (Board) comprising the Town Supervisor and six Board members. The Board is the legislative body responsible for managing Town operations, including establishing appropriate internal controls over financial operations and monitoring financial activities.

The Town's Justice Court (Court) has jurisdiction over vehicle and traffic, criminal, civil and small claims cases brought before it. The Town has three elected Justices who oversee Court operations. The Justices' principal duties include adjudicating legal matters within the Court's jurisdiction; administering money collected from imposing fines, bail, surcharges, civil fees, and restitutions; and reporting the Court's financial activities monthly to the Office of the State Comptroller's Justice Court Fund (JCF). The Justices collected approximately \$2.5 million in fines, fees and surcharges during 2013.

Objective

The objective of our audit was to review internal controls over the Court's financial activity. Our audit addressed the following related question:

- Are internal controls over Court operations appropriately designed and operating effectively to allow for the proper accounting and reporting of financial activity?

Scope and Methodology

We examined the Court's financial operations for the period January 1, 2012 through January 31, 2014.

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.

Comments of Local Officials

The results of our audit have been discussed with Town officials, and their comments, which appear in Appendix A, have been considered in preparing this report.

Justice Court Operations

Justices are responsible for adjudicating cases brought before their Court, and for accounting and reporting Court related financial activities. The Justices must ensure that an effective system of internal controls is in place for properly safeguarding cash and other resources, processing financial transactions in a timely manner and maintaining complete and accurate accounting records. Justices are responsible for depositing all moneys collected in a timely manner,¹ issuing appropriate receipts, reconciling Court collections to corresponding liabilities and reporting Court transactions to the JCF. Routinely reconciling bank accounts enables the Justices to verify the accuracy of Court financial records. Justices are also responsible and accountable for all money received by their Courts. At any point in time, the liabilities of the Court, such as bail held on pending cases and unremitted fines and fees, should equal the Justice's available cash.

We commend the Justices for establishing strong internal controls over Court operations. The Justices implemented specific controls to ensure Court money collected was properly recorded in the Court records, deposited in a timely manner and accurately reported to JCF on a monthly basis. The Justices also implemented various control procedures over the Court's financial activities that provided adequate supervision and oversight.

The three Justices each have appointed clerks² who are responsible for collecting payments, preparing receipts, maintaining case files, recording transactions in the accounting system and reconciling money collected each day. At the end of each day, the clerks compare the total amounts collected to the daily receipts issued to ensure that all money is accounted for. The clerks then remit all money collected to the Clerk of the Court (Clerk) who is the Court office supervisor, or her deputy who also helps supervise the clerks.

The Clerk or her deputy review the detailed daily receipts in conjunction with the associated case files and money collected to ensure the transactions are properly accounted for. Then either the Clerk or the deputy deposits the money collected within the legal time limit. At the end of each month, the Clerk performs bank reconciliations for all the Justices' bank accounts. The Justices are

¹ By law all money collected must be deposited within 72 hours of receipt, exclusive of Sundays and holidays.

² The Court employs nine full-time clerks and one part-time clerk, including the Clerk of the Court and her deputy.

given a copy of the monthly bank statements and reconciliations after they are completed. The Clerk also prepares accountability reports, which compare the amount of cash on hand and deposits in the bank with a detailed list of Court liabilities (outstanding bail and amounts due to the JCF and others) to verify the Court's assets and liabilities are stated accurately. In addition, once a month the clerks prepare a report listing all the month's transactions, which is reviewed by the Clerk and the Justices before the Justices submit their monthly reports to the JCF. To provide additional oversight of the Court's financial activity, the Board, on an annual basis, engages an independent auditor to complete an audit of the Court.

To access these controls, we tested certain Court records³ to determine if adequate case files and financial records were maintained and the Justices filed the monthly reports with the JCF in a timely manner. We reviewed 30 case files and found adequate support was maintained for each case including the ticket, driver abstracts, correspondence, and other documentation. We reviewed all bank reconciliations and monthly accountability reports and found bank reconciliations and monthly accountability reports were prepared for each month. In addition, we compared the amounts recorded on the monthly accountability reports to the bank reconciliations for 13 months and found the reports were an accurate reflection of the Court's assets and liabilities. Finally, we reviewed all monthly reports sent to the JCF and found the monthly reports were submitted within 10 days after month's end, as required by law.

To further verify that the internal controls over the Court's financial activity were functioning properly we reviewed a complete month of receipt records for each Justice and found that detailed receipts were issued in sequential order for each transaction. In addition, we examined 384 non-bail transactions totaling \$104,000 and found that each transaction was deposited timely and intact.⁴ Furthermore, we examined 30 bail transactions totaling \$12,675 and found that each was deposited timely and intact. Finally, we reviewed 69 disbursement transactions totaling \$455,000 and found each was properly supported and for a proper Court purpose. Establishing and adhering to a sound system of internal controls decreases the risk that fraud, abuse, or errors may occur and go undetected and uncorrected.

Based on our assessment of the control system and our testing of transactions for compliance with the system, we conclude that the system is properly designed and working as intended.

³ Refer to Appendix B for information on our sample selection.

⁴ Intact means the deposit was made in the same form (i.e., cash, check, money order) as the related collection.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

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



Paula A. Mahan
Town Supervisor

TOWN OF COLONIE

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June 18, 2014

Jeffrey P. Leonard
Chief Examiner
Office of the State Comptroller
One Broad Street Plaza
Glens Falls, New York 12801-4396

Dear Mr. Leonard,

The Town of Colonie is pleased that after a comprehensive audit of the Town of Colonie Justice Court Operations, the Office of the State Comptroller's assessment of the control system concluded the system is properly designed and working as intended.

Since there were no findings with the Court's operations, we will not be submitting a Corrective Action Plan for this audit.

Should you have questions regarding this response, please contact me at 518-783-2728.

We greatly appreciate the Office of the State Comptroller's commendation regarding the establishment of strong internal controls.

Sincerely,

Paula A. Mahan
Town Supervisor

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

The objective of our audit was to determine if internal controls over Court operations were appropriately designed and operating effectively to allow for the proper accounting and reporting of the Court's financial activity. To achieve our objective and valid audit evidence, our procedures included the following:

- We interviewed Town officials and employees to obtain an understanding of operations relating to the Court.
- We reviewed three months of receipts to ensure adequate receipts were issued for each transaction. Our sample included one separate month of receipt books issued in 2013 for each Justice. We arbitrarily selected our sample to include the months of February, October and November 2013 and had no expectation that more or fewer errors would occur in the sample months than in any other month.
- We traced 30 days of receipt records, for a total of 384 receipts, to the deposit slips and bank statements to ensure transactions were deposited timely and intact. We arbitrarily selected our sample to include a total of 10 days of receipts for each Justice and had no expectation that more or fewer errors would occur in the sample day than in any other day.
- We tested two months of bail records, for a total of 81 case files, and traced each transaction listed to the deposit slips and bank statements to ensure transactions were deposited timely and intact. We arbitrarily selected the months of June 2012 and 2013 and had no expectation that more or fewer errors would occur in the sample months than in any other month.
- We reviewed a randomly selected sample of 30 case files from the January 2014 bail list to ensure that bail was deposited timely and intact by tracing each bail listing to the deposit slip, bank statement and case file. We used a random number generator to select our sample.
- We reviewed a randomly selected sample of 30 cases to ensure adequate case files were maintained. We selected our sample from the cases listed on the variance report prepared by comparing the Department of Motor Vehicle records and the JCF's records. We used a random number generator to select our sample.
- We reviewed seven monthly bank statements to determine if each disbursement listed was for a proper purpose by tracing each disbursement to supporting documentation including receipts, case files and JCF reports. We reviewed two months of bank statements for each of the three Justices and one month for the bail bank statements. We arbitrarily selected our sample to include the months of July 2012 and August 2013, December 2012 and August 2013, October 2012 and September 2013 for the three Justices and January 2014 for the bail bank account. We had no expectation that more or fewer errors would occur in the sample months than in any other month.

- We reviewed monthly reporting to the JCF, bank reconciliations and monthly accountability reports for each month during the audit period to ensure the reports were completed in a timely manner.
- We reviewed 13 months of accountability reports (January 2013 through January 2014). We traced these reports to the bank reconciliations and the JCF reports to ensure that the assets equaled the liabilities in the monthly accountability reports.

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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