

Town of Tully

Justice Court Operations

APRIL 2021



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

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Report Highlights

Town of Tully

Audit Objective

Determine whether the Town of Tully (Town) Justices provided adequate oversight of Justice Court (Court) financial activities and ensured collections were deposited timely and intact and properly reported and remitted.

Key Findings

The Justices generally provided adequate oversight of Court financial activities and ensured collections were deposited timely and intact and were properly reported and remitted. However:

- The clerks did not ensure that 12 missing or deleted cashbook entries had a proper audit trail and documentation. During our fieldwork, the Court upgraded its software system to better track receipts.
- The Town Board (Board) did not perform an annual audit of the Justices' records, as required.

Key Recommendation

- Conduct an annual audit of the Court's records or retain an independent public accountant to perform the audit.

Town officials agreed with our recommendation and indicated they planned to initiate corrective action.

Background

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

The Board is responsible for the general oversight of operations, including Court financial activities. The Town has two elected Justices and two appointed part-time clerks.

The clerks assist the Justices in processing cases and related financial transactions, including submitting monthly financial activity reports and traffic dispositions to various New York State agencies.

Quick Facts

Court Revenue for the Audit Period	\$235,515
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Terms of Office

Justice Bailey	January 1, 1985 – December 31, 2023
Justice Malone	January 1, 2010 – December 31, 2021

Audit Period

January 1, 2019 – September 9, 2020

Justice Court Operations

The Court has jurisdiction over vehicle and traffic, criminal, civil and small claims cases brought before it. The Justices adjudicate legal matters within the Court's jurisdiction and administer money collected from fines, civil fees, surcharges and bail.

The Court accepts payments made by cash, certified check, money order and credit card. Each Justice maintains their own bank account for fines, fees and bail. The clerks collect payments, issue receipts and enter receipts into the Court's computerized software system, prepare checks to be signed by the Justices and prepare monthly reports for submission to the Office of the State Comptroller's Justice Court Fund (JCF). In addition, the clerks deposit collections, and report vehicle and traffic ticket dispositions to the New York State Department of Motor Vehicles (DMV).

How Should Justices Account for Court Funds?

Justices are responsible for maintaining complete and accurate accounting records and safeguarding all money collected by the Court. In addition, Justices should ensure that all funds are deposited intact (i.e., in the same amount and form as received) as soon as possible, but no later than 72 hours from the date of collection, exclusive of Sundays and State holidays.

The Justices are required to submit monthly reports detailing all money collected each month (excluding pending bail) to the JCF and disburse by check the funds collected to the town supervisor or defendant, as appropriate.¹

Justices should ensure that clerks issue receipts to acknowledge the collection of all funds paid to the Court. Receipts generated from a computerized system should be issued in consecutive numerical sequence. Controls should prevent the alteration of receipt numbers or amounts. If receipt numbers can be altered, pre-numbered duplicate receipts should be used instead.

On a monthly basis, the Justices should prepare bank reconciliations and an accountability 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 and any discrepancies should be investigated and resolved.

Collections Were Deposited Timely and Intact and Accurately Reported and Remitted

The clerks recorded cashbook receipts from January 1, 2019 through June 30, 2020, which totaled \$274,448. We compared the electronic cashbook entries for

¹ The JCF determines the State, County and local share of the funds that were reported and sends an invoice, billing and distribution statement to the town supervisor showing the required distribution of the funds.

each Justice to the amounts on the monthly JCF reports and found that all fines and fees collected and recorded for the audit period were reported to the JCF.

We compared 50 receipts (25 from each Justices' cashbook) from July 2019 totaling \$7,044 to bank records and found they were deposited intact within 72 hours.²

Software Settings Were Inadequately Configured

While reviewing the Justices' cashbook entries we identified 21 missing receipts, as indicated by gaps in receipt sequence. We found that nine receipts were deleted for appropriate and valid reasons as evidenced by supporting documentation retained by the Court. However, we were unable to review the remaining 12 missing or deleted cashbook entries. This occurred because the automatic receipt numbering function in the Court's software system was not enabled and allowed receipt numbers to be skipped and not used or deleted without a proper audit trail and documentation.

The Court's software system was upgraded in October 2020 to enable the automatic sequential numbering of receipts and the upgraded software no longer allows receipts to be altered or deleted after issuance.

We performed various other tests for the period January 1, 2019 through June 30, 2020 to determine whether Court funds were properly administered.³ Our review of 15 pending and 30 dismissed cases during this period disclosed no discrepancies. We reviewed all charges and withdrawals from the Justices' bank accounts during our audit period and found they were proper and supported.

In addition, all bail for our audit period was properly included on a Justices' pending bail list and in the bank, applied to the defendant's fines/fees, returned to the defendant or forfeited and reported and remitted to the JCF. We also investigated discrepancies between information reported to the JCF and the DMV. Overall, we found that Court funds were properly accounted for and transactions were appropriate and supported.

Monthly Accountability Reports Were Prepared

Every month the clerks prepared bank reconciliations for each Justice and generally maintained organized and up-to-date records. The clerks also prepared monthly accountability analyses to show that reconciled bank balances matched

[We]...found that all fines and fees collected and recorded for the audit period were reported to the JCF.

The clerks... prepared monthly accountability analyses to show that reconciled bank balances matched the Justices' liabilities.

² Refer to Appendix B for additional information on our audit methodology and sample selection.

³ Ibid.

the Justices' liabilities (e.g., monthly collections owed to the Town and bail). Both the bank reconciliation and accountability analyses were reviewed by the Justices each month.

We performed a cash count and prepared an accountability analysis for each Justice as of September 9, 2020. For each Justice, available cash matched liabilities as substantiated by Court records.

How Should the Board Oversee Justice Court Operations?

At least annually, Justices are required to present their records and dockets to the board for examination. The board should audit the records to ensure fines and fees have been collected and turned over to the proper parties as required by law. Although not required, the board may contract with an independent public accountant to conduct this audit. The results of this audit should be documented in the board minutes.

The Board Did Not Perform an Annual Audit of the Court's Records

The Board did not annually audit the Justices' records, as required. The Court clerk prepared and submitted a checklist detailing Court operations, along with supporting records, reports and bank statements to the Supervisor at the end of 2019 (refer to our publication *Handbook for Town and Village Justices and Court Clerks*, which contains an example checklist).

However, the Supervisor told us while he reviewed the Court records, he did not provide them to the entire Board for its review. Although the Board minutes showed that the Court's records had been reviewed and no discrepancies were identified, a thorough audit was not completed because the Board did not examine the documentation provided by the clerk. Without an annual audit, the Board's ability to effectively monitor the Court's financial operations was diminished.

What Do We Recommend?

The Board should:

1. Audit the Court's records at least annually or retain an independent public accountant to perform the audit.

Appendix A: Response From Town Officials

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315/696-4693



03/10/21

This response is to the "Town of Tully Justice Court Operations Examination 2021M-10". It is intended that this document serve as both a response to the Audit as well as communicating our Corrective Action Plan.

It's of course natural to feel bit intimidated when you find out you are being audited. Our pre-meeting with our auditor and her superior was excellent at alleviating this feeling and setting a expectation of collaboration with intended improvement.

The Auditor conducted herself in a professional manner throughout and ensured that we understood any concerns or findings.

Our Report had two key findings which we accept as a path to improve and in fact have already implemented changes.

Our Corrective actions:

Finding 1: "lack of audit trail on 12 checks deleted or missing". Working in collaboration with our auditor we were able to upgrade our software used, to facilitate improvement in this area. This was completed during the audit.

Finding 2: "The Town Board not auditing the Justice Court records as required". We have adjusted our procedure as we do our 2021 audits. Our current procedure is the board appoints a subcommittee to execute a detailed audit using the recommended checklist. The Checklist is filled out including an explanation of any concerns or findings. These checklists are provided to the town board for review. The board is given an opportunity for discussion during our next regular meeting after which we execute resolution documenting the board's audit of the records. We are using this procedure for all of our department audits going forward.

The Town Board has reviewed and endorsed this response. Documented in the March 10 2021 meeting minutes.

Town Supervisor

John Masters

Town Board

C. Chapman _____

F. Speziale _____

C. Goodwin _____

J. Snavlin _____

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 the Justices and clerks and reviewed financial records and reports to gain an understanding of the Court's financial operations.
- We compared all receipts recorded in the cashbook to amounts reported on monthly JCF reports (obtained monthly report data directly from JCF) from January 1, 2019 through June 30, 2020 to determine whether all recorded fine and fee collections were properly reported.
- We compared a sample of cash receipts recorded in the cashbook records with deposits on bank statements to determine whether deposits were made timely and intact. We used our professional judgment to select the first 25 receipts for the month of July 2019 for Justice Bailey totaling \$3,558 and for Justice Malone totaling \$3,486.
- We reviewed the computerized cashbook for each Justice to identify any missing or out-of-sequence receipts from January 1, 2019 through June 30, 2020. We reviewed available documentation and followed up with officials on all 21 missing receipts to try to determine the reason they were missing.
- We reviewed all 20 voided transactions from the Justices' cashbook reports during the period January 1, 2019 through June 30, 2020. We reviewed case files and history notations and discussed with Court officials to determine whether voided cashbook entries were for appropriate reasons.
- We reviewed all 15 tickets, for the period January 1, 2019 through June 30, 2020, that were reported as closed to the DMV but not the JCF. We reviewed cashbook records, case history reports and discussed with Court officials to determine the reason why the cases were not reported to the JCF.
- We performed an electronic comparison between the amounts reported to the JCF and DMV for the period January 1, 2019 through June 30, 2020 and identified two tickets with dollar disparities. We traced the associated ticket information to case files and bank deposits to determine any differences not reported to the JCF and DMV and whether all payments were deposited intact.
- We used our professional judgment to select a sample of 30 dismissed cases from JCF reports for the period January 1, 2019 through June 30, 2020, and reviewed records in the computerized court program, case files and discussed with Court officials to determine whether the cases had valid documented reasons for dismissal.
- We reviewed a report of pending cases as of July 8, 2020 (with violation dates from November 7, 1984 through July 2, 2020). We used our

professional judgment to select 15 of the 3,390 pending traffic ticket cases and compared them to the Traffic Safety Law Enforcement and Disposition pending case report to determine whether the records agreed and the Court took appropriate action to enforce the tickets through the scofflaw program. We reviewed Court records including case files and history notations of actions taken to determine the status of the tickets.

- We reviewed the Justices' monthly bank statements during our audit period to identify any unusual activity such as transfers, in-bank withdrawals or checks written to cash. We traced all checks, charges and withdrawals on bank statements to documentation supporting the validity of the transactions.
- We reviewed the bail activity for each Justice for our audit period totaling \$25,500 (five transactions for Justice Baily totaling \$3,500 and eight transactions for Justice Malone totaling \$22,000). We traced recorded bail received to deposits and disbursed bail to canceled checks or amounts applied to defendants' fines and fees to determine whether bail was properly administered.
- We reviewed the bank reconciliation and accountability reports for the audit period for each Justices' fine, fee and bail accounts.
- We performed a cash count for both Justices on September 9, 2020 to establish the amount of cash and checks on hand since the last bank deposit for comparison to the cash receipt records. We also prepared a bank reconciliation and an accountability analysis for each Justice as of this date to determine whether there were any differences between the available cash and known liabilities.
- We reviewed Board minutes and inquired with the Court clerks, Justices and Board members to determine whether an annual audit of the Court was performed during our audit period.

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 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

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