

Town of Guilford

Justice Court Accountability

AUGUST 2019



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

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Report Highlights

Audit Objective

Determine whether all money held by the Justice Court are identifiable and disbursed to appropriate parties.

Key Findings

- The Justices did not prepare monthly accountabilities or maintain sufficient records to identify outstanding balances.
- The Court has a shortage of \$370 and unidentified funds of \$8,207.

Key Recommendations

The current Justice should:

- Prepare a list of Court liabilities and compare it to reconciled bank balances.
- Pay unidentified funds to the JCF.

The Board should:

- Consult with legal counsel on how to rectify the \$370 shortage.

Town officials agreed with our recommendations and indicated they planned to take corrective action.

Background

The Town of Guilford (Town) is located in Chenango County. The Town is governed by an elected Town Board (Board) composed of four councilmembers and the Town Supervisor. The Board is responsible for overall operations and finances, including oversight of two elected Justices. The Justices are responsible for monitoring and managing Court financial activity and have jurisdiction over certain criminal, civil and small claim matters and motor vehicle traffic violations. The Town currently has one elected Justice who presides over the Court.

Quick Facts

2017 Court Revenues	\$23,530
Justice Kline's Term	2008 – April 2018
Justice Winsor's Term	2016 – Present

Audit Period

January 1, 2017 – September 30, 2018. We expanded our scope back to February 1, 2003 to identify records, reports and unidentified Court money from Justice Daniels.

Justice Court Accountability

A court has jurisdiction over vehicle and traffic, criminal, civil and small claim cases. Justices adjudicate legal matters within the court's jurisdiction and administer money collected from fines, surcharges, civil fees, restitution and bail. The Justice makes deposits, reports all money collected each month (excluding pending bail) to the Office of the State Comptroller's Justice Court Fund (JCF), and disburses the funds collected to the Town Supervisor or defendant as appropriate. During our audit period, there were two Justices, Kline and Winsor, who adjudicated legal matters within the Court's jurisdiction. Our expanded scope included reviewing the records of a prior Justice, Justice Daniels, whose term ended December 31, 2015.

How Should Justices Account for Court Money?

Justices must maintain complete and accurate records and safeguard all money collected by the court, and are responsible for reconciling court collections to corresponding liabilities. On a monthly basis, justices should perform a bank reconciliation and an accountability of funds by preparing a list of court liabilities and comparing it to reconciled bank balances. Court liabilities should equal the cash balance, and any unidentified funds should be remitted to the JCF. Bank reconciliations and accountability analyses are critical procedures to determine the status of money held by the court and help ensure that the court is appropriately fulfilling its custodial responsibility.

Lastly, justices are required to present their records at least once each year to be examined by the board or an independent public accountant, and the results of this audit should be recorded in the board minutes.

Court Funds Were Not Identified and Paid to Appropriate Parties

Justice Kline (Figure 1) – Justice Kline did not properly identify and pay Court funds to appropriate parties. We performed an accountability of Justice Kline's account as of the month she resigned (April 2018) and found that she had records to support \$4,600 of outstanding bail (i.e., from defendants pending resolution of their cases); and \$273 owed to defendants, the Town Supervisor and Justice Winsor's account. However, Justice Kline had unidentified funds of \$8,906, the majority of which (\$8,704) was transferred from the prior justice, Justice Daniels. Furthermore, she recorded \$370 of receipts from three defendants, reported this amount to the JCF and remitted this amount from her account to the Town Supervisor. However, the \$370 was not deposited into Justice Kline's account. We sent confirmations to the three defendants to determine whether Justice Kline recorded erroneous receipts or whether she failed to deposit the collections. We did not receive responses from the defendants to determine the cause of the \$370 shortage in her account. Justice Kline transferred her bank balance of \$13,359 to Justice Winsor when she left office in April 2018.

Figure 1: April 2018 Monthly Accountability – Justice Kline

Outstanding Bail	\$4,600
Amounts Owed to Other Parties	\$273
Unidentified Excess Funds Transferred From Justice Daniels	\$8,704
Unidentified Excess Funds (Other)	\$202
Refund Due From Online Payment Processor	(\$50)
Total Liabilities at April 30, 2018	\$13,729
Net Bank Balance at April 30, 2018	\$13,359
Shortage	\$370

Justice Winsor (Figure 2) – Although Justice Winsor performed a monthly accountability of funds, he did not document it. We performed an accountability of his funds as of September 2018 and found that he appropriately accounted for transactions that initiated through his Court, and maintained adequate records to support outstanding bail. Justice Winsor successfully identified and disbursed \$5,350 to appropriate parties (\$700 originating from Justice Daniels and \$4,650 originating from Justice Kline), leaving a balance of \$8,430 of unidentified funds and amounts owed to other parties (\$8,004 from Justice Daniels, \$425 from Justice Kline) as of September 30, 2018. Justice Winsor was unable to identify most of the outstanding liabilities because he was not provided monthly accountabilities from Justices Daniels and Kline. We commend Justice Winsor for researching the sources of unidentified funds transferred from prior Justices. We attempted to identify the sources of the majority of the unidentified funds by reviewing Justice Daniels’ bank and Court records. However, essential bank records were not available for our review and Justice Daniels’ records were missing or incomplete.

Figure 2: September 2018 Monthly Accountability – Justice Winsor

Outstanding Bail	\$500
Fines/Surcharges Due to JCF	\$5,768
Outstanding Checks	\$179
Overpayments to Town	(\$50)
Refund Due From Online Payment Processor	(\$50)
Amounts Owed to Other Parties-Kline	\$223
Unidentified Excess Funds from Justice Daniels	\$8,004
Unidentified Excess Funds from Justice Kline	\$202
Total Liabilities at September 30, 2018	\$14,776
Bank Balance at September 30, 2018	\$14,406
Shortage transferred from Justice Kline	\$370

These deficiencies occurred because the previous Justices did not maintain lists of Court liabilities compared to reconciled bank balances. Furthermore, they did not include unidentified money in their final reports to the JCF. While the Justices presented their records to the Town Board annually, the Board did not identify any deficiencies.

Because monthly accountabilities were not prepared and the Board did not identify deficiencies during its annual review of Justice Court records, errors and irregularities went undetected and uncorrected for many years. As a result, there was a shortage of \$370 and over \$8,000 was unidentified and therefore must be paid to the JCF instead of the intended recipients.

What Do We Recommend?

The Justice should:

1. Prepare a list of Court liabilities and compare it to reconciled bank balances.
2. Pay unidentified funds to the JCF.

The Board should:

3. Ensure its annual review of Justice Court records includes determining whether the Justice reconciles bank balances to Court liabilities.
4. Consult with legal counsel on how to properly address the \$370 shortage.

Appendix A: Response From Town Officials¹

Town of Guilford
223 Marble Road
Guilford, NY 13780

Tel. (607)895-9966

Fax. (607)895-6042

July 17, 2019

Appendix A – Response From Town Officials

I want to thank Comptroller Office for its audit of the Town of Guilford's Justice Court. Since Judge Daniels retired I was aware of monies that could not be accounted for. The town board did conduct yearly audits of the Justice Court. As most records are electronic this is a challenge. The town board typically asked the justices print a complete set of records for a month at the start of the board audit. Until court computers were recently upgraded we were unable to view court records on a large screen. The board completed the forms that are provided by the comptroller office. The deputy supervisor and I have attended Comptroller's training on auditing town financial records.

The town has consulted with the town's attorney on how to rectify the \$370 shortage. His recommendation: In writing contact the individuals involved, the defendants and former Justice Joan Kline requesting any documentation or recollections they can provide. Justice Winsor and I have reviewed and implemented procedures necessary for the monthly reconciliation of the Justice Courts financial records. Justice Winsor will provide the town board with a year's end report for all funds when court records are audited. Attached is Justice Winsor's report in reference to the audit dated 7/12/19.

An Comptroller's Office audit training program for electronic records would be helpful. Is it necessary to print copies to court documents for the town board to audit or is there an alternative?

Respectfully Submitted,

George Seneck
Guilford Town Supervisor
guilfordsupervisor@frontier.com

¹ The response letter references an attached report from Justice Winsor. Due to the confidential nature of information in that report, we have not included it here. The Town's response also includes a question which we have addressed with Town Supervisor Seneck.

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 Town and Court officials, and reviewed Board minutes to gain an understanding of Court operations.
- We reviewed the Board's annual audit checklists to determine if any deficiencies were identified.
- We reconciled all transactions recorded in the Court's software to bank statements to prepare monthly accountabilities and identify money held by or due to the Court.
- We reviewed all canceled check images and compared them to transactions recorded in the Court's software to determine whether Court funds were paid to appropriate parties.
- We sent confirmations to three defendants to determine whether they paid \$370 to the Court.

We conducted this performance audit in accordance with GAGAS (generally accepted government auditing standards). 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.

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 Town Clerk's office.

Appendix C: Resources and Services

Regional Office Directory

www.osc.state.ny.us/localgov/regional_directory.pdf

Cost-Saving Ideas – Resources, advice and assistance on cost-saving ideas

www.osc.state.ny.us/localgov/costsavings/index.htm

Fiscal Stress Monitoring – Resources for local government officials experiencing fiscal problems

www.osc.state.ny.us/localgov/fiscalmonitoring/index.htm

Local Government Management Guides – Series of publications that include technical information and suggested practices for local government management

www.osc.state.ny.us/localgov/pubs/listacctg.htm#lmgm

Planning and Budgeting Guides – Resources for developing multiyear financial, capital, strategic and other plans

www.osc.state.ny.us/localgov/planbudget/index.htm

Protecting Sensitive Data and Other Local Government Assets – A non-technical cybersecurity guide for local government leaders

www.osc.state.ny.us/localgov/pubs/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/localgov/finreporting/index.htm

Research Reports/Publications – Reports on major policy issues facing local governments and State policy-makers

www.osc.state.ny.us/localgov/researchpubs/index.htm

Training – Resources for local government officials on in-person and online training opportunities on a wide range of topics

www.osc.state.ny.us/localgov/academy/index.htm

Contact

Office of the New York State Comptroller
Division of Local Government and School Accountability
110 State Street, 12th Floor, Albany, New York 12236

Tel: (518) 474-4037 • Fax: (518) 486-6479 • Email: localgov@osc.ny.gov

www.osc.state.ny.us/localgov/index.htm

Local Government and School Accountability Help Line: (866) 321-8503

BINGHAMTON REGIONAL OFFICE – Ann C. Singer, Chief Examiner

State Office Building, Suite 1702 • 44 Hawley Street • Binghamton, New York 13901-4417

Tel (607) 721-8306 • Fax (607) 721-8313 • Email: Muni-Binghamton@osc.ny.gov

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