



Town of Victory

Justice Court

Report of Examination

Period Covered:

January 1, 2012 — February 1, 2013

2013M-66



Thomas P. DiNapoli

Table of Contents

	Page
AUTHORITY LETTER	2
INTRODUCTION	3
Background	3
Objective	3
Scope and Methodology	3
Comments of Local Officials and Corrective Action	3
JUSTICE COURT	5
Monthly Reconciliation and Accountability	5
Board Oversight	6
Recommendations	7
APPENDIX A Response From Local Officials	8
APPENDIX B Audit Methodology and Standards	10
APPENDIX C How to Obtain Additional Copies of the Report	11
APPENDIX D Local Regional Office Listing	12

State of New York Office of the State Comptroller

Division of Local Government and School Accountability

April 2013

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 Victory, entitled Justice Court. 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 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 Town of Victory (Town) is located in Cayuga County and has a population of approximately 1,660. The Town is governed by an elected Town Board (Board) consisting of the Town Supervisor (Supervisor) and four Board members. The Supervisor is the chief executive and chief fiscal officer of the Town. The Board has the overall responsibility for overseeing the financial activities of the Town, including the financial activity of the Justice Court (Court).

Currently, the Town has one elected Town Justice (Justice) who is responsible for hearing certain types of civil and criminal cases, and adjudicating misdemeanors, minor violations and traffic infractions. The Court collected \$35,265 in fines and surcharges during our audit period. Justice Allan Wood and Justice Debra Davis¹ were in office during our audit period.

Objective

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

- Did the Justices accurately and timely deposit, record, and account for the Court's moneys, and did the Board provide adequate oversight of the Court?

Scope and Methodology

We examined the Court's financial operations for the period January 1, 2012, to February 1, 2013.

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 and Corrective Action

The results of our audit and recommendations have been discussed with Town officials and their comments, which appear in Appendix A, have been considered in preparing this report. Town officials generally agreed with our recommendations and indicated they planned to initiate corrective action.

¹ Justice Wood was the Justice from January 2012 to April 2012 and was filling in for a vacancy created due to retirement of the previous Justice. Justice Davis took over in the Court in April 2012 and was the Justice through the remainder of our audit period.

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 the 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 Town to make this plan available for public review in the Clerk's office.

Justice Court

Justices are responsible for adjudicating cases brought before their Court and accounting for and reporting Court-related financial activities. The Justices must ensure that an effective system of internal controls is in place to provide reasonable assurance that cash and other resources are properly safeguarded and that financial transactions are processed in a timely manner and recorded properly. To meet this responsibility, Justices must maintain complete and accurate accounting records and safeguard all moneys collected.

Justices are personally responsible for all moneys received and disbursed by their Court. Justices are responsible for depositing all moneys collected in a timely manner, reconciling Court collections to corresponding liabilities, and reporting Court transactions to the Office of the State Comptroller's (OSC) Justice Court Fund (JCF). The routine reconciliation of bank accounts and analysis of liabilities enables the Court to verify the accuracy of its financial records and establish accountability for Court liabilities. In addition, the Justices are responsible for providing an annual accounting to the Board. The Board is responsible for annually auditing the books and records of the Court or hiring an independent public accountant (IPA) or certified public accountant (CPA) for that purpose.

We found no material issues in the accuracy and timing of deposits and the recording and accounting for the Court's moneys. However, we found that the Justices did not perform monthly bank reconciliations and accountabilities. We also found that the Board did not provide effective oversight of Court operations through an effective annual audit. As a result, Town officials have limited assurance that all moneys collected were properly recorded and accounted for which increases the risk that Court funds could be misappropriated without detection or correction.

Monthly Reconciliation and Accountability

Justices are required to account for cash receipts and disbursements from month to month and to determine accountability as of the end of each month. Each month, justices should compare information from their accounting records with the information shown in their bank account statement. A justice's account should be zeroed out at the end of the month, and, if not, the balance should reconcile to any outstanding checks and any fines received after the end of the month. Bank reconciliations and accountability analyses are critical procedures to document the status of moneys held by the Court at any point in time.

The Justices did not perform formal, documented bank reconciliations or monthly accountabilities. Therefore, we reconciled the Justices' bank accounts and analyzed their liabilities for the entire audit scope period using bank statements, bail records, cash books and JCF reports. We found no material issues when reconciling fine or bail accounts or analyzing liabilities.²

The failure to reconcile bank accounts and analyze liabilities significantly increases the risk of unauthorized use or disposition of cash and makes it more likely that Town officials will not detect cash shortages, errors and/or irregularities in a timely manner.

Board Oversight

Town Law and the Uniform Justice Court Act require town justices to present their records and dockets to their governing Board for audit at least once a year.³ The Board is responsible for annually auditing the Court's books and records or contracting with an IPA or CPA for that purpose. An annual audit helps Town officials ensure that the Justice is maintaining accurate and proper accounting records and properly accounting for and disbursing the Court's moneys. After the audit is complete, Town officials should ensure that the Board minutes document that an audit was conducted and documentation of the audit results should be kept on file detailing the records reviewed. When a Justice leaves office, a final report must be filed with the JCF.

The Board did not properly oversee Court activities by conducting an annual audit, as required by Town Law. Although the Board reviews the books and records of all Town departments annually, the Board does not complete a formal annual audit of the Court's records. Furthermore, there is no formal documentation on what is completed in these reviews or how the reviews are performed. The Board also does not complete their annual audit of Court records by the January 20th deadline. An audit of Court records was not performed for 2011 or 2012 as of the end of fieldwork. An OSC checklist was completed for the audits of 2009 and 2010 Court records. However, a note was included in the records requesting the Justice to complete portions of this checklist. In addition, Town officials did not ensure that Justice Wood filed a final report with the JCF when he left office in April 2012.

It is the responsibility of the Board to perform a thorough annual audit of Court records and periodic review of records throughout the year. The annual audit should be completed without the direct assistance of the Justice. Instead, the Justice should provide the Board with

² We communicated minor discrepancies to the current Justice and Supervisor.

³ An annual audit of Justice Court records should be completed by January 20th of each year, for the previous year's records.

all books and records for the audit. Without an effective audit of the Court's records,⁴ including available cash, bail, and monthly accountabilities, the Town does not have assurance that all moneys are properly accounted for. Had the Board properly conducted the annual audit of the Court, certain deficiencies identified during our audit, including a lack of bank reconciliations and the failure of Justice Wood to complete and file a final report, may have been identified sooner and prompt corrective action could have been taken,

Recommendations

1. The Justice should prepare monthly bank reconciliations and analyses of Court liabilities for comparison with available cash. Any differences should be promptly identified and investigated, and, if necessary, corrective action should be taken.
2. When the Board undertakes its annual audits, it should use a formal review process, such as the audit checklist provided by OSC, and maintain these checklists on file in the Town Clerk's office as documentation that the audit has been performed, and all necessary documents and information have been reviewed.
3. The Board should ensure that Justices leaving office file a final report with the JCF.

⁴ The Board should remain independent of the Justice during this review.

APPENDIX A

RESPONSE FROM LOCAL OFFICIALS

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

The Town's response letter refers to an attachment that supports the response letter. Because the Town's response letter provides sufficient detail of its actions, we did not include the attachment in Appendix A.

**TOWN OF VICTORY
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April 12, 2013

Office of the State Comptroller
Edward V. Grant, Jr.
The Powers Building
16 W. Main Street Suite 522
Rochester, New York 14614

Dear Sir:

This letter is in response to your letter to Lucille Craine, Supervisor, Town of Victory of March 29, 2013.

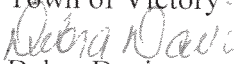
The Town of Victory held the regular monthly meeting on April 8, 2013 and at that meeting the Town Board nominated the Supervisor to audit the Town Justice finances and to respond to the OSC. The adopted resolution is attached.

The Supervisor has taken correctional action and examined the financial status of Judge Debra Davis' bank account records and found to be in proper accountability. The reconciliation of the Judge's financial accounts will be performed each month by the Supervisor and a quarterly audit will be done by the Supervisor and Board members.

Also, the yearly audit will be done at the January reorganization meeting for each year going forward.

Yours truly,



Lucille Craine
Supervisor
Town of Victory

Debra Davis
Judge
Town of Victory

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

As part of our audit, we reviewed the Court's internal control procedures. We obtained an understanding of these internal controls by inquiry, observation and inspection of documents and records. Specifically, we performed the following procedures:

- We reviewed accounting records to determine if they were complete, accurate and up-to-date. Court records and reports were reviewed in audit testing through December 31, 2012, as information for January 2013 was not available prior to the conclusion of audit fieldwork.
- Using a spreadsheet macro, we randomly selected the months of March, August and November 2012, and compared recorded cash receipts and disbursements with supporting documentation such as case files, duplicate receipts, bank statements, canceled check images, and reports to the JCF.
- Using a spreadsheet macro, we randomly selected the months of March, August and November 2012, and verified that transactions, as detailed on the bank statements, were recorded in the Court's records, were for legitimate Court-related purposes, and were supported by appropriate documentation.
- We reviewed and compared Court activity to Traffic Safety Law Enforcement and Disposition reports prepared for the State Department of Motor Vehicles.
- We obtained computerized data covering the audit period which we analyzed using audit software to ensure that certain operations, such as deletions or modifications of computerized records, were done for legitimate purposes.
- We performed reconciliations of the Justices' bank statements for the months of January 2012 through December 2012⁵ with their records of bail for pending cases, cash books, and JCF reports.
- We interviewed appropriate Town officials and employees.

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.

⁵ January 2012 bank statements not available as of the end of audit fieldwork.

APPENDIX C

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Andrew A. SanFilippo, Executive Deputy Comptroller
Nathalie N. Carey, Assistant Comptroller

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