

Town of Carrollton

Justice Court Operations

MAY 2018



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

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Report Highlights

Town of Carrollton

Audit Objective

Determine whether Justice Court (Court) fines and fees were properly accounted for.

Key Findings

- The Justices' cash balances exceeded known liabilities by a combined total of approximately \$6,340 as of October 12, 2017, and Court officials were unable to determine the composition of these excess balances.
- The Justices' bail reports included bail for 18 individuals totaling \$7,150 that could not be traced to any open or closed cases during our audit period.
- The Board did not conduct the required annual examination of Court records or contract with an independent public accountant for an audit.

Key Recommendations

- Prepare monthly bank reconciliations and accountabilities. Investigate and resolve any differences.
- Routinely generate current pending bail reports and reconcile to bank balances.
- Examine Court records or retain an independent public accountant to perform an annual audit.

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

Background

The Town of Carrollton (Town) is located in Cattaraugus County.

The Town is governed by an elected Town Board (Board) composed of four Council members and a Town Supervisor (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 and traffic violations. An appointed Court clerk (clerk) assists the Justices with these responsibilities.

Quick Facts

2016 Court Revenues	\$111,910
2017 General Fund Budget	\$464,450
Residents	1,300

Audit Period

January 1, 2016 – November 2, 2017

Justice Court Operations

Justices are responsible for adjudicating cases brought before them and accurately accounting for and reporting Court-related financial activities. The clerk collects payments, issues receipts, posts payments in the computer system and prepares deposits. The Justices make deposits, disbursements and prepare monthly reports to the Office of the State Comptroller's Justice Court Fund (JCF).

How Should Justices Account for Court Funds?

Justices must maintain complete and accurate accounting records and safeguard all money collected by the Court. Justices should ensure that the clerk issues appropriate receipts to acknowledge the collection of money paid to the Court. These receipts should be press-numbered, issued consecutively and indicate the form of payment (i.e., cash or check). Proper receipts serve as evidence of individual collections and help ensure accounting records are complete and accurate. Justices must maintain adequate records documenting the date of receipt, the payee and the related case information for bail¹ collected from defendants to ensure their appearance in Court to answer charges.

Justices are required to submit monthly reports detailing all fines, fees, surcharges and forfeited bail to the JCF by the tenth day of the succeeding month.

Justices are also 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 and money on hand. 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 addressing its custodial responsibility.

The Board is responsible for providing adequate oversight by examining the Justices' records and dockets to ensure fines and fees have been collected and turned over to the proper officials as required by law. The Board is also responsible for documenting the examination results in its minutes. Although not required, the Board can contract with an independent public accountant to perform an annual audit.

¹ Bail is returned when the case has been adjudicated or used to pay fines and fees imposed by the Court.

Disbursements Were Appropriate and Supported

We reviewed all 48 disbursements made by both Justices totaling more than \$508,000 during our audit period and found that they were for appropriate purposes and properly supported. Disbursements generally involved returning bail, transferring money to other courts and remitting funds monthly to the Supervisor or the JCF.

Additionally, all fees received by the Court were remitted and reported in a timely manner. The Justices submitted monthly reports to the JCF and remitted all fines and fees to the appropriate parties.

Bank Reconciliations and Accountabilities Were Not Prepared

The Justices did not prepare monthly bank reconciliations or accountabilities to ensure that all collections were accurately accounted for and discrepancies promptly identified and corrected.

We prepared an accountability analysis as of October 12, 2017 and found that cash on hand exceeded the liabilities that could be substantiated by Court records by approximately \$6,000 for Justice Soper and \$340² for Justice Crowley. These funds could not be traced to any open or closed cases during our audit period.

The Justices told us that the excess funds were related to unreturned bail and overpayments. However, because the Justices' records were not properly maintained, Court officials were unable to determine the composition of these unidentified balances.

When bank reconciliations and accountabilities are not prepared, there is a risk that unidentified funds can remain on deposit and that errors or irregularities can occur and remain undetected for several months or years.

Bail Reports Were Inaccurate

We found that the Court's outstanding bail reports were inaccurate and unreliable. Because of the significant deficiencies with these reports, the Court was unable to prepare accurate monthly accountabilities.

² Justice Crowley maintains two bank accounts, one for fines and fees and one for bail, both had cash on hand exceeding known liabilities. The fines and fess account by \$320 and the bail account by \$20.

The Court's computer system produces a record of outstanding bail. We reviewed these reports as of November 2, 2017 for both Justices and found that they included bail amounts for 18 individuals totaling \$7,150 that could not be traced to any open or closed cases during our audit period. Justice Soper's pending bail report included \$5,150 for 15 individuals including \$3,250 for five individuals for which case files could not be located. Justice Crowley's pending bail report included \$2,000 for three individuals that could not be verified through a review of case files.

This occurred because current pending bail reports were not regularly generated or reconciled to the bank accounts. The pending bail reports must be regularly generated because the computer system cannot provide reports as of a previous point in time.

Without accurate and complete bail records, the Justices cannot ensure that bail is properly accounted for and appropriately disbursed. Had pending bail reports been generated and compared to the bank accounts, the Justices could have detected and corrected these errors.

An Annual Examination of Court Records Was Not Performed

The Board did not annually examine the Justices' books and records as required. The Supervisor told us that he reviewed Court records annually. However, the Supervisor's review did not result in any notification that bank reconciliations were not completed or that there were unaccounted for cash balances. Furthermore, the review was not performed by the entire Board or documented in the Board minutes, as required.

Because the Board did not perform annual examinations or engage an independent public accountant to perform an audit, its ability to effectively monitor financial operations was diminished. Had the Board examined the Justices' records, it may have identified deficiencies in the Court's records and procedures and brought them to the Justices' attention to encourage corrective action.

What Do We Recommend?

The Justices should:

1. Ensure accountability analyses and bank reconciliations are prepared monthly and any differences are resolved.
2. Identify the source of the excess amounts in the Court's bank accounts and remit any unidentified funds to the JCF.

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3. Regularly generate current pending bail reports and reconcile the reports to the bank accounts to ensure that bail records are accurate and complete.

The Board should:

4. Examine the Court's books and records at least annually or retain an independent public accountant to audit the Court's records and document the results in the minutes.

Appendix A: Response From Town Officials

TOWN OF CARROLLTON JUSTICE COURT

Michael R. Soper
Town Justice

Joseph F. Crowley
Town Justice

Terri Wedge
Court Clerk

641 Main Street
P.O. Box 146
Limestone, New York, 14753
PHONE (716) 925-7772
FAX (716) 925-7571

April 26, 2018

Office of State Comptroller
295 Main Street, Suite 1032
Buffalo, NY 14203
Attn: Jeffery Mazula

Re: Town of Carrollton Audit Response

Dear Mr. Mazula:

Recently our town was chosen to go through an audit by your office. Because the town court brings in the majority of money into the town, aside from property taxes, we were chose to be the focus of the audit. Our contacts were [REDACTED]

When we first met with [REDACTED] to go over what records, tickets, receipts, etc they were going to be requesting, we informed them that both of us had inherited monies from past town judges, and that in our opinion, they were going to find access money in both of our bail accounts, especially my (Soper) account, that were acquired from three past judges with no records to go by.

After finishing the audit, and reviewing the audit with us, [REDACTED] had some findings and suggestions for both Judge Crowley and myself, to help us in the future. Judge Crowley and myself both agreed to the suggestions/findings that were made and are in the process of making those changes.

Some of those suggestions/findings were to take the access monies that were found in our bail accounts and get them sent into the state. Another was that, in addition to our monthly reports that we send into the state, and copy the town on, we also send a copy of our reconciled bail accounts and regular court checking accounts to the town on a monthly basis.

We felt that both reps from your office were fair to both of us and to our court clerk.

Sincerely,

Michael Soper
Town Justice
Town of Carrollton

Joseph Crowley
Town Justice
Town of Carrollton

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 Court clerk and reviewed financial records and reports to gain an understanding of the Court's financial operations.
- We performed a cash count on October 12, 2017 to establish a cut-off point for the accountability analysis.
- We judgmentally selected three months of receipts totaling \$36,800 to determine whether receipts were deposited timely and intact. We selected the three most current months to review from the cash count date.
- We prepared an accountability analysis for the Justices' bank accounts as of October 12, 2017 to determine whether cash on hand agreed with known liabilities.
- We requested and reviewed the current pending bail reports for the Justices as of November 2, 2017 and compared to case file receipts and disbursements to determine whether the amount of each bail listed on the reports as of the cash count date was accurate.
- We reviewed all checks issued from the Justices' bank accounts to determine whether they were for appropriate Court purposes and amounts.

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.

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 relevant population size and the sample selected for examination.

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 Town 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/lgli/pdf/cybersecurityguide.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

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