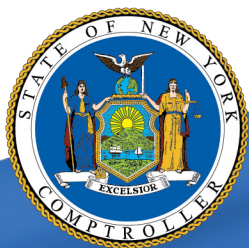


Village of East Rockaway

Justice Court Operations

DECEMBER 2017



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

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Report Highlights

Village of East Rockaway

Audit Objective

Determine whether the Justice ensured that Court money was accurately collected, recorded, deposited and disbursed in a timely manner.

Key Findings

- The Justice's cash exceeded known liabilities by at least \$1,963 each month between January and June 2016.
- The bail bank account had a balance of \$1,590 as of May 31, 2017, and Court officials could not determine the source of the funds.
- The Court did not properly record and deposit \$1,400 in funds received during the audit period.

Key Recommendations

- Prepare accurate bank reconciliations and accountabilities monthly. Investigate and resolve why the Justice's cash exceeds known liabilities.
- Maintain a record of bail for each account and review existing bail records to determine how to disburse the existing funds in the bail account.
- Review cash receipt documentation included with deposits for completeness and accuracy.

Village officials agreed with our recommendations and chose not to submit a response to the audit.

Background

The Village of East Rockaway (Village) is located in the Town of Hempstead in Nassau County.

The Village is governed by an elected Board of Trustees (Board) composed of the Mayor, Deputy Mayor and three trustees. The Board is responsible for the general management and control of Village finances and overseeing financial activities, including the Court. The Village has one elected Justice, one appointed Acting Justice and one full-time Court clerk.

The Deputy Treasurer reviews Court deposits and prepares the monthly bank reconciliations.

Quick Facts

Court fines and fees collected during audit period	\$491,788
Cases started during audit period	1,282
Population	9,800

Audit Period

June 1, 2015 – May 31, 2017

Justice Court Operations

The Village's Justice Court (Court) has jurisdiction over moving traffic violations, parking tickets and property cases. Justices adjudicate legal matters within the Court's jurisdiction and administer money collected from fines, surcharges, bail and other related fees.

The Court clerk (clerk), who handles the Court's day-to-day operation, collects payments, issues receipts, posts payments in the computer system and prepares bank deposits. The Court receives payments in-person, by mail or telephone. Most payments are received by mail. The Court accepts cash, money orders, checks and credit card payments. All collections are entered into the computer system, which generates electronic receipts in sequential order. Manual cash receipts are also provided to individuals who make payments in-person at the Court.

The Court has three bank accounts - one for each justice and one bail account. The Acting Justice's account and the bail account had no activity during the audit period.

How Should Justices Account for Court Funds?

Routine bank reconciliations and accountability analyses are critical to document the status of money held by the Court and to enable the Court to check for and correct errors or identify cash shortages. On a monthly basis, justices should perform a bank reconciliation to the checkbook and an accountability of funds by preparing a list of Court liabilities and comparing it to reconciled bank balances and money on hand. Each justice's account should reconcile to any outstanding checks, held bail and funds received but not yet remitted to the State Comptroller's Justice Court Fund¹ (JCF). Interest earned on the deposit of fines and cash bail after forfeiture should be transferred to the Village.

Bail for pending cases is posted by defendants (or by others on behalf of defendants) generally to guarantee appearance in court to answer charges. In some instances, specific bail amounts can remain with the court for long periods of time. Consequently, it is essential that each justice maintain a record of all bail with the date of receipt, who paid and to which case it relates. The receipt and disposition of bail should be recorded in the supplemental record of bail promptly after the transaction occurs to ensure that the record is complete and up-to-date.

Justices are required to issue receipts to document the collection of all funds paid to the Court. Each receipt should be recorded in the cash receipts section of the cash book or accounting system promptly upon issuance. Money collected should agree with the duplicate receipt forms issued for those collections, amounts

¹ The Justice must report all money collected to the JCF monthly and remit collections to the Clerk-Treasurer within 10 days of the end of the month in which collected. The amount remitted should agree with the amount reported to the JCF on the corresponding monthly report.

recorded in the cash receipts section of the cash book or accounting records, the deposit made from the same collections and the applicable case files. Money received should be deposited intact as soon as possible, but no later than within 72 hours of collection, exclusive of Sundays and holidays.

Disbursements Were Generally Timely

We reviewed 24 disbursements to the Village totaling \$497,142 and determined that disbursements were generally timely and, except for the disbursement discrepancy discussed below, disbursements were accurate.

Bank Reconciliations Were Not Accurate and Accountabilities Were Not Prepared

Monthly bank reconciliations were completed in a timely manner but were incorrect. The reconciliations included a list of “returned items” with unlabeled dollar amounts of up to \$2,577 to reconcile the cash book and bank balances. The “returned items” totaled \$3,797 on June 30, 2015 and increased to \$5,293 as of May 31, 2017. There was also a reconciling item of \$389 identified as “uninvestigated difference” every month. None of the amounts had supporting documentation nor could the Justice, clerk or Deputy Treasurer substantiate them.

The Deputy Treasurer told us that the “returned items” represent deposited checks that were returned for insufficient funds. She said the “uninvestigated difference” and most of the “returned items” have been carried forward for many years dating back to before she was responsible for preparing the bank reconciliations so she does not know where to find support for most of the items listed under “returned items” or how the \$389 of “uninvestigated difference” came about. The list of “returned items” has grown over the audit period because the Deputy Treasurer identifies checks returned for insufficient funds using bank statements, but is not notified when repayments for those checks are made. The clerk was not aware that she needed to inform the Deputy Treasurer when repayment was made, so that the items could be removed from the “returned items” list. After bringing these issues to the attention of the Justice, Deputy Treasurer and clerk in July 2017, the clerk started reviewing the “returned items” to identify insufficient funds checks that were later paid in order to update the Deputy Treasurer.

We prepared bank reconciliations for January 2016 through June 2016² and found that the adjusted bank balance exceeded the adjusted cash book balance by \$1,963 each month. In addition, the Justice’s bank account earns interest each month that is not transferred to the Village. The Deputy Treasurer was not aware

² See Appendix B for sampling methodology

of the differences between the cash book and bank account balances because she was not performing a proper bank reconciliation. She was using an incorrect beginning cash book balance each month, using the balance she calculated the previous month instead of the actual balance indicated in the cash book. The Justice was also unaware of the differences because he does not review the bank reconciliations. Therefore, neither the Deputy Treasurer nor the Justice could explain the reasons for the variances. The Justice was also unaware that interest earned on the bank account had not been transferred to the Village.

We also prepared accountability analyses for January through June 2016³ and found that the cash on hand exceeded known liabilities by between \$1,963 and \$2,168 for the six months reviewed. Additionally, in each month reviewed, the opening bank balance was more than the Court's liability and disbursement for the month by between \$1,595 and \$2,247. With the exception of May 2016 which had an additional \$200 variance, accountability analysis differences reconciled to the bank reconciliation differences. In May 2016, the Court disbursed \$12,541 to the Village, rather than the \$12,741 recorded receipts. The report submitted to the JCF for May 2016 activity shows a collection of \$100 from a defendant instead of the \$300 that was actually received resulting in a \$200 variance. The clerk could not explain how the error occurred.

Because monthly bank reconciliations are incorrect and not reviewed for accuracy and monthly accountability analyses are not prepared, errors and irregularities have occurred and remained undetected for several months or years. Specifically, unidentified funds of \$1,963 have remained on deposit, disbursements did not match liabilities each month and interest earned has not been properly transferred to the Village.

Bail Bank Account Balance Could Not Be Substantiated

Although there was no activity in the bail account during the audit period, there was a balance of \$1,590 each month. The Justice does not maintain a record of bail held. The clerk maintains a folder of documentation related to bail cases which includes activity for specific individuals, but does not include a clear and complete record of bail activity. Review of the records in the folder did not indicate what the \$1,590 represented. All items were for cases prior to June 2015, the start of the audit period.

The Justice told us that he did not know the bail account had this balance. He believes that the balance in the bail account may be for persons for whom bail was posted, but who never returned to Court to receive refunds. However, he has not forfeited the bail. Because a complete accounting of bail is not maintained,

3 Ibid

money that should have been returned to individuals, or remitted to the Village or the JCF may have been inappropriately held by the Court.

Collections Were Not Properly Recorded and Deposited

The Court received \$491,788 between June 1, 2015 and May 31, 2017 according to the cash book report. We reviewed 387 receipts related to 24 deposits totaling \$22,532.⁴ The Court issued \$6,738 in manual cash receipts for the deposits reviewed.

For 13 instances totaling \$1,400 the Court did not appropriately record and/or deposit receipts. As follows:

- One manual receipt for \$600 was supported by an electronic receipt and deposit of \$575. The clerk explained that only \$575 of the \$600 collected was deposited because the individual had a suspended license and still owed the Court more money. If the full amount had been recorded and deposited, the suspension would have been lifted. By holding onto the \$25 the individual was forced to pay the balance to lift the suspension. The balance was paid the following week and deposited along with the \$25 held from the first receipt.
- Six receipts totaling \$370 were deposited between one and eight days after the required 72 hour timeframe. The clerk told us that late deposits occur because she is the only person who records receipts and prepares deposits. Therefore, when she does not work, the timeliness of the deposits is impacted.
- One cash transaction of \$140 and three credit card transactions totaling \$180 had no manual receipts when they should have been issued. The clerk said that she forgot to issue a manual receipt for the cash transaction and she does not always issue manual receipts for credit card payments because each person receives a credit card receipt.
- One electronic receipt of \$100 did not have a receipt number. The clerk explained this was an error on her part. When processing the electronic receipt, she forgot to select a field in the screen that generates the receipt number so it was generated without a receipt number.
- One manual receipt showed payment for a ticket totaling \$35 that did not match the electronic ticket information. The clerk explained the manual receipt was for an individual who had three tickets. The person paid fines for two of the three tickets and one of the tickets was dismissed so payment was applied to the remaining ticket. Consequently, the manual receipt shows

4 Ibid

payment for the dismissed ticket, but the electronic receipt shows the correct ticket for which the payment was applied.

When money is collected but not recorded and deposited accurately and timely, there is an increased risk of loss or theft and the JCF may not get an accurate accounting of the amount that has been collected.

What Do We Recommend?

The Justice should:

1. Review monthly bank reconciliations to ensure accuracy and investigate any discrepancies.
2. Determine the source of the excess \$1,963 in the bank account and ensure that any unidentified money is remitted to the JCF.
3. Ensure accountability analyses are prepared monthly, with known liabilities reconciled to available cash. Any differences should be promptly investigated and resolved.
4. Ensure that disbursements match the Court's liabilities each month.
5. Maintain a record of all bail collected and review existing bail records to determine how to disburse the funds currently held in the bail account.
6. Ensure all money collected by the Court is deposited within 72 hours of receipt.
7. Review cash receipt documentation included with the deposit and in case files to ensure they are complete and accurate.

Appendix A: Response From Village Officials

Village officials chose not to submit a response to our audit.

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, we performed the following audit procedures:

- We interviewed the Justice, Acting Justice, court clerk and Village officials to gain an understanding of the Court's financial operations.
- We reviewed six monthly bank reconciliations for completeness and accuracy and determined whether the Court performed accountability analyses. We chose our sample by randomly selecting the first month (January 2016) and judgmentally selecting the subsequent five months (February through June 2016) for consistency purposes.
- We prepared bank reconciliations and accountability analyses for the Justice's bank account for January 2016 through June 2016 to determine whether the cash on hand agreed with known liabilities.
- We compared monthly reported collections with related disbursements for January through June 2016 to determine whether amounts reported matched amounts disbursed each month.
- We reviewed the Court's bail bank statements and bail records for June 2015 through May 2017. We met with Court officials to determine why there was a balance of \$1,590 in the bail account during the audit period.
- We judgmentally selected the last deposit of each month during our audit period for a sum of 24 deposits totaling \$22,532 and reviewed bank records and cash book reports to determine whether collections were deposited timely and intact. We then reviewed all bank records, cash book reports and case files for the cash receipts comprising each of the 24 deposits to determine whether receipts were issued in sequence and collections were properly recorded.

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 size of the relevant population 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 Board to make the CAP available for public review in the Village 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

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