

Village of Menands

Justice Court Operations

NOVEMBER 2019



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

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Report Highlights

Village of Menands

Audit Objective

Determine whether the Justices adequately oversee the Court's financial activities and ensure collections are deposited and remitted timely and intact.

Key Findings

The Justices did not:

- Deposit 234 out of 720 fine and fee receipts totaling \$31,056 within 72 hours.
- Prepare monthly accountability reports and bank reconciliations.
- Forward 34 out of 48 remittances to the Village totaling \$523,381 within 10 days of the ensuing month.

Key Recommendations

- Ensure all deposits are made within 72 hours of collection.
- Prepare accountability reports and bank reconciliations and investigate any discrepancies.
- Ensure that all remittances to the Village are made before the 10th of the month.

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

Background

The Village of Menands (Village) is located in the Town of Colonie in Albany County. The Village is governed by an elected Board of Trustees (Board) composed of a Mayor and four Trustees. The Board is responsible for the general oversight of Village operations, including Justice Court (Court) financial activities.

Two Justices adjudicate legal matters within the Court's jurisdiction, such as vehicle and traffic, criminal, civil and small claims cases. One Justice is elected to a four-year term and an associate Justice is appointed by the Mayor for a one-year term. Two full-time Court clerks (clerks) assist the Justices with processing cases and their related financial transactions.

Quick Facts

Population	3,897
Elected Justice's fines and fees deposits during audit period	\$297,143
Associate Justice's fines and fees deposits during audit period	\$440,057

Audit Period

June 1, 2017 – June 30, 2019

Justice Court Operations

The Court accepts payments made by cash, certified check, money order and credit cards. Each Justice maintains their own bank account for fines and fees, and there is a separate, shared account for bail. The clerks collect payments, issue receipts, enter receipts into the Court's computerized management system, make deposits, prepare checks to be signed by the Justices and submit monthly reports to the Office of the State Comptroller's Justice Court Fund (JCF).

How Should Justices Safeguard Court Collections?

Justices should ensure that court personnel issue receipts to acknowledge the collection of all funds paid to the court, record each receipt in the accounting records and deposit all funds intact (i.e., in the same amount and form as received) as soon as possible, no later than 72 hours from the date of collection, exclusive of Sundays and State holidays. In addition, they must provide adequate oversight of work performed by court personnel to ensure accuracy and timeliness of records and reports.

On a monthly basis, justices should perform a reconciliation between the bank balance and the accounting records for each bank account. Justices should also conduct an accountability of funds by preparing a list of court liabilities and comparing it to reconciled bank balances and money on hand. Justices should investigate and promptly resolve discrepancies disclosed by the bank reconciliation or the accountability report and remit any unidentified funds to JCF. Justices should also ensure that the monthly reports to JCF and payments to the village are submitted within the first 10 days of the ensuing month, as required.

Collections Were Not Deposited in a Timely Manner

We reviewed 720¹ receipts totaling \$108,648 from both Justices' fine and fee accounts and determined 234 receipts totaling \$31,056 (29 percent) were deposited after the 72-hour time limit. The collections not deposited timely included \$20,673 of cash, increasing the risk of funds being lost or misappropriated. We also reviewed 14 bail receipts totaling \$2,145 and determined 11 receipts totaling \$1,335 (55 percent) were deposited after 72 hours. Except for a few minor exceptions, we determined that receipts were deposited intact.

We traced all receipts tested to monthly reports to JCF and determined there were nine payments totaling \$1,071 reported twice for the associate Justice and three payments totaling \$538 reported twice for the elected Justice. These errors were the result of collections being received and reported in October 2018, but not deposited and recorded in the accounting records until the following month,

¹ This amount excludes 19 voided or unused duplicate receipts in the receipt book used by the clerks.

causing them to be reported a second time. Because the clerk deposits fines and fees collected each month before remitting the prior month's collections to the Village, overpayments were not identified and sufficient cash continued to be available to cover the monthly payments to JCF. Once the clerk was made aware of the overpayments we identified, she prepared an adjustment report with JCF to correct the errors.

While the clerk responsible for making deposits stated that she tries to deposit collections within the 72-hour time limit, she explained that when Court is in session, she does not always have time available to make deposits in a timely manner. By not depositing Court collections within the prescribed time limit, and not recording them when received, there is an increased risk that errors could occur without detection or money could be lost or stolen.

Accountability Reports and Bank Reconciliations Were Not Performed

Monthly accountability reports and bank reconciliations were not prepared. Instead, the clerk responsible for managing the Court's finances reviews the monthly bank statement and prepares an adjusted bank balance that includes all deposits, less fines and fees reported in the previous monthly report, plus deposits in transit. She then compares the adjusted bank balance to the monthly report to JCF but does not compare the adjusted bank balance to the Court's accounting records. Additionally, the clerk does not perform an accountability report by comparing total liabilities to cash on hand. Therefore, the clerk was not able to identify variances in the fine and fee bank accounts. Both Justices stated they review the monthly report to JCF and checks to be signed, but not the clerk's adjusted bank balance. The Justices acknowledged they did not require the clerk to prepare accountability reports or bank reconciliations because they thought their review of the monthly report and disbursement checks provided sufficient oversight over the Court's finances.

We performed an accountability report for the fine accounts maintained for each Justice and the bail account as of June 30, 2019 (Figure 1). Other than the overpayments identified in the Justices' fine and fee accounts, discussed in the prior section of this report, we did not find additional variances for either account. When we compared the bail report to the bail account's adjusted bank balance, we determined there was an additional \$2,554 in the bail bank account that was not supported by bail records. To determine the bail report's reliability, we selected a sample of cases² and reviewed the Justices' case files to verify whether bail had been returned. We determined the bail report was accurate because the Justices' case files showed the Court still had possession of the bail listed. We reviewed

² See Appendix B for our methodology.

the bail account bank statements for the entire audit period and did not identify any bail deposits that were not recorded into the Court’s computerized system. Additionally, the clerk agreed there are additional funds in the bail bank account.

Figure 1: Bail Account Accountability Analysis as of June 30, 2019

Bail Assets	
Adjusted Bank Balance	\$16,046
Total Known Assets	\$16,046
Bail Liabilities	
Bail	\$13,492
Total Known Liabilities	\$13,492
Difference	\$2,554

Because accountability reports and bank reconciliations were not prepared, Court officials were unaware of the overpayment of fines and fees due to reporting individuals twice to JCF. When bank reconciliations and accountabilities are not performed, there is a risk that unidentified funds can remain on deposit and that errors or irregularities can occur and remain undetected for months or years.

Monthly Reports to JCF Are Not Reviewed in a Timely Manner

We reviewed all 48 monthly reports by the current Justices that were submitted to JCF during our audit period and determined none were reviewed by the Justices prior to being submitted to JCF. Because the Justices review their monthly report after it has been submitted to JCF and then sign the checks, fines and fees are not always remitted by the 10th of the ensuing month. We identified 34 (71 percent) out of 48 remittances were sent to the Village after the 10th of the month. Specifically, the elected Justice had 16 (70 percent) out of 23 remittances totaling \$207,080 made to the Village between one and 18 days late. The associate Justice had 18 (72 percent) out of 25 remittances totaling \$316,301 made to the Village between one and 29 days late.

When the Justices review their monthly reports after they have been submitted to JCF, the Justices are not able to identify errors prior to the report being submitted, thereby increasing the risk that errors may go undetected. Additionally, by not reviewing the monthly reports in a timely manner, remittances to the Village are not always made by the 10th of the ensuing month.

What Do We Recommend?

The Justices should:

1. Ensure that all receipts are deposited within 72 hours after collection, excluding holidays and Sundays.
2. Ensure that both accountability reports and bank reconciliations to the accounting records are performed periodically and that any differences are investigated and corrected promptly.
3. Determine the source of the excess cash in the bail account and report and remit it to JCF.
4. Review monthly reports to JCF prior to the clerk submitting the reports.
5. Ensure that monthly remittances to the Village are sent out before the 10th of the ensuing month.

Appendix A: Response From Village Officials



VILLAGE JUSTICE
Christopher P. Flint
ASSOCIATE VILLAGE JUSTICE
Robert A. Becher
CLERK TO THE JUSTICES
Susan T. Dube

Menands Village Court

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To Whom It May Concern:

On October 17, 2019, I met with Auditors from the State Comptroller's Office, the Mayor, and Village Clerk to review and discuss the Draft Report setting forth the methodology and results of the recent audit of the Menands Village Court.

As Village Justice, I believe it is vitally important that the residents of Menands have confidence in the integrity of their Court and those who run it. Thus, my first question for the auditors was whether they found any evidence of missing or misappropriated funds. I am pleased and proud to report that they did not.

The Court had not been audited in at least a decade, well before I was elected Judge. The Court staff and I are grateful to the auditors for identifying the improvement opportunities contained in and guidance provided by the report.

Upon receiving the report, we immediately implemented appropriate measures to correct all inefficiencies identified. Within the next several weeks we will be presenting our action plan to the Menands Village Board for formal approval.

Respectfully,

Christopher P. Flint
Menands Village Justice

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 Village officials including Court clerks, Justices and the Village Treasurer. We reviewed financial reports to gain an understating of the Court's financial operations.
- We prepared both bank reconciliations and monthly accountabilities to determine whether adjusted bank balances equaled amounts recorded in the accounting records. We compared Court liabilities from June 1, 2017 through June 30, 2019 to the Justices' fine and fee accounts to determine whether cash on hand agreed with known liabilities.
- After preparing accountability reports for the entire audit period for the Justices' fine and fee accounts, we used our professional judgement to select the months of February 2018, October 2018, November 2018 and December 2018. We reviewed all 739 collections from the Justices' fine and fee accounts, totaling \$108,648, from those four months to determine whether they were properly recorded and deposited timely and intact. We also reviewed all 14 bail receipts, totaling \$2,145, during the same four months to determine whether they were properly recorded and deposited in a timely manner.
- We traced all bank deposits in the Justices' fine and fee accounts to the accounting records and to the monthly report to JCF in the months of February 2018, October 2018, November 2018 and December 2018 to determine whether all amounts were properly accounted for and reported.
- We requested and reviewed the current pending bail report for the Justices as of June 30, 2019. The bail report listed 80 cases totaling \$13,492. We selected 10 cases using a random number generator, used our professional judgment to select the 10 oldest cases on the report and selected three additional cases which we tested during our receipt testing. We compared these 23 cases to the Justices' case file receipts and disbursements to determine whether cases were accurately listed on the report and included in the bail bank account. We also reviewed bail account bank statements for the period of June 1, 2017 through June 30, 2019.
- We prepared an accountability report on the bail account for June 2019 to determine whether the adjusted bank balance equaled the Court's bail records.
- We traced all 49 Court remittances to the Village, totaling \$733,018, from June 1, 2017 through June 30, 2019 to the Village's cash receipts journal to determine whether amounts were received in a timely manner.

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.

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 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#lgmg

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

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