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OFFICE OF THE STATE COMPTROLLER

June 7, 2005

The Honorable Jonathan Lippman  
Chief Administrative Judge  
Office of Court Administration  
25 Beaver Street  
New York, NY 10004-2982

Re: Report 2005-F-5

Dear Judge Lippman:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Court Administration, Tenth Judicial District, Suffolk County District Court, to implement the recommendations contained in our audit report, *Selected Revenue and Time and Attendance Practices* (Report 2000-S-52).

**Background, Scope and Objective**

The Tenth Judicial District of New York State's Unified Court System comprises Nassau County and Suffolk County. The Suffolk County District Court (District Court) has jurisdiction over civil cases involving amounts up to \$15,000 and criminal cases involving misdemeanors, violations, and offenses. The District Court operates in six different locations: Central Islip, Ronkonkoma, Deer Park, Huntington Station, Hauppauge, and Patchogue. For the period April 1, 2005 through March 31, 2006, the District Court expects to employ 358 staff (including 49 judges and judicial staff) and incur nearly \$22.3 million in personal service costs.

In the course of administering its cases, the District Court may impose and collect fines, fees, and surcharges as well as bail and trust funds. According to District Court records, for the 12 months ended March 31, 2005, about \$14.3 million in revenues and bail and trust fund deposits were collected by the District Court. Depending on the law involved, the fine, fee, or surcharge is forwarded to a State, County, Town or Village office.

Our initial audit report, which was issued on December 6, 2001, examined revenue collection and selected time and attendance practices. Our report identified a number of internal control weaknesses. In particular, we noted that cash received in the mail was not logged in and receipted at the time the mail was opened, there was no policy to write off uncollectible fees and fines, and the District Court had no formal sick leave monitoring policy. We concluded that, because of these and other weaknesses, improvements were needed in the internal controls established by the District Court to maintain full accountability over revenue collections, fully protect revenue that had been collected against loss, and ensure that unusual sick leave patterns were brought to the attention of

management. The objective of our follow-up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of April 18, 2005 of the five recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that District Court officials have made progress in correcting some of the problems we identified. However, additional improvements are needed. Of the five prior audit recommendations, two recommendations have been implemented, two recommendations have been partially implemented, and one recommendation has not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*Record mail receipts as soon as they have been received at the Criminal Part Office in Central Islip and First/Fifth District Office in Ronkonkoma.*

Status - Partially Implemented

Agency Action - We determined during our prior audit that neither the Criminal Part Office in Central Islip nor the First/Fifth District Office in Ronkonkoma logged payments as soon as they were received by mail. During our follow-up audit we determined that, at both offices, no listing of payments is created when the mail is opened. However, we observed that both offices now create logs for unprocessed payments. District Court officials indicated that the new logging practices for unprocessed traffic fines and for criminal matters were developed to address the findings in our original report. The District Court Chief Clerk indicated he believes the effort to log and control items which are not processed the same day is a significant improvement, so that no checks are lost in the process. However, he also indicated that opening the mail in the presence of a second person, and logging all checks received, is an inefficient use of staff.

Although logging unprocessed payments is an improvement, internal control guidelines indicate that to establish accountability over revenue, payments should be logged in at the time of receipt.

#### **Recommendation 2**

*Post a sign at the cashier windows at all District Court locations that advises customers to request receipts for their transactions.*

Status - Implemented

Agency Actions - District Court officials advised they have posted signs at all locations, and we observed that these signs were in place at the three locations we visited (Central Islip, Ronkonkoma and Huntington).

### **Recommendation 3**

*Instruct staff on the need to properly secure financial stationery, such as manual receipt books, in cash drawers, vaults, safes, or locking file cabinets to which only authorized personnel have access.*

Status - Implemented

Agency Actions - Court personnel informed us that supervisors at all locations have been instructed to secure these items. At all three locations we visited, the manual receipt books were either in the safe or in locked file cabinets. In all cases, the safe and/or cabinets were found to be locked, and to gain access to the receipt books it was necessary for the supervisor or key clerk to unlock the safe or cabinet.

### **Recommendation 4**

*Seek appropriate authorization to write off those outstanding receivables identified as not being collectible. Pursue collection of those receivables deemed to be collectible.*

Status - Not Implemented

Agency Actions - District Court officials indicated they have not sought authorization to write off uncollectible receivables. However, at the entrance conference for this follow-up audit, they sought guidance on this issue. We referred them to the State Division of the Budget's Policy and Reporting Manual, Section K, Guidelines for Accounts Receivable Management and Collection, which has requirements for maintaining, classifying, reporting, collecting and writing off accounts receivable. Section K states that each State agency has a responsibility to collect all the revenue to which it is legally entitled and to use legitimate and effective methods of collection.

According to the District Court Chief Clerk, current procedures (which were in effect at the time of our initial audit) are relatively effective for collecting most receivables. The Chief Clerk's office files a judgment (lien) with the County Clerk's Office on behalf of the Suffolk District Attorney. These liens, which expire in eight years, impair property titles as well as car registrations and titles. However, concerning those receivables that are more difficult to collect, we were advised that an aggressive pilot project using a collection agency has not worked well and there are no new initiatives.

**Recommendation 5**

*Establish a formal sick leave monitoring policy that includes a criterion for instances of sick leave usage that should be reviewed and followed up by a supervisor.*

Status - Partially Implemented

Agency Action - In their response to our initial audit report, District Court officials indicated that sick leave was monitored on a case-by-case basis, sick leave abuse was low, and individual supervisors were best equipped to assess what was appropriate use of sick leave by staff. Nevertheless, the District Court has installed a new timekeeping system, under which supervisors are more cognizant of employee leave usage. Overtime-eligible staff clock in, using a swipe card, and the system records any instance in which an employee is not clocked in at work during their normal hours. These instances are flagged for the respective supervisor, who must make entries to charge leave codes into the computer, effectively monitoring sick leave usage. Supervisors are also expected to produce a computerized report of accrual balances every four weeks that can be run on demand. Although this is an improvement over the prior system, the District Court still needs to establish a criterion for instances of sick leave usage requiring follow-up by a supervisor.

Major contributors to this report were Robert Mehrhoff and Allen Cohen.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Office of Court Administration and the Suffolk County District Court Clerk for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Robert Barnes, Division of the Budget  
Dennis Donnelly, OCA Internal Affairs  
Roger Huguenin, Suffolk County District Court Clerk