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August 4, 1998

The Honorable Jonathan Lippman
Chief Administrative Judge
Office of Court Administration
Empire State Plaza
Agency Building 4
Albany, NY 12223

Re: Report 97-F-52

Dear Judge Lippman:

Pursuant to the State Comptroller's authority as set forth in Section 1, Article V of the State Constitution and Section 8, Article 2 of the State Finance Law, we have reviewed the actions taken by the Manhattan Civil Court (Court), as of February 20, 1998, to implement the recommendations included in our prior audit, "Revenue Collection Practices" (Report No. 95-S-68 issued August 1, 1996).

Background

The Office of Court Administration (OCA) is responsible for directing and overseeing the administrative operations of all courts in the New York State Unified Court System, of which the Civil Court of the City of New York is a part. Operating in all five boroughs of New York City (Manhattan, Bronx, Brooklyn, Queens and Staten Island), the Civil Court of the City of New York has three parts: Civil (also referred to as the General Clerk's Office), which tries cases involving amounts up to \$25,000 and other civil matters referred to it by the Supreme Court; Housing, which handles landlord-tenant matters and housing code violations; and Small Claims, which handles informal dispositions not exceeding \$3,000.

The Manhattan Civil Court collected \$4.1 million in fees during fiscal year 1997. It employs more than 1,000 individuals including approximately 909 nonjudicial employees, 120 judges, and 34 housing hearing officers.

Summary Conclusions

In our prior report, we identified weaknesses in the Court's revenue collection and processing procedures as prescribed in OCA's Financial Planning and Control Manual. Of particular concern was the inadequate separation of duties in collecting, recording and depositing revenue. We found that the fiscal officer was responsible for many of the collection and recording functions, including receiving and depositing cash; maintaining the cash receipts book; and performing the monthly bank reconciliations. We also found that cashiers both counted and reconciled their own daily cash receipts; safe combinations were not changed periodically; cash registers were not programmed properly to record cash/check composition of revenues; cash shortages and overages were not properly accounted for; and checks received by mail were not promptly recorded or restrictively endorsed. Our review of the electronic data processing system found that the controls over access to the data files and equipment needed to be improved; access to the Housing Court system hardware and software should be restricted; and controls over passwords and program changes needed improvement.

Our follow-up review found that the Manhattan Civil Court has made significant progress in implementing our prior report recommendations including separating incompatible duties.

Summary of Status of Prior Recommendations

The prior audit contained 18 recommendations. Of the 18 recommendations, 16 have been fully implemented and 2 have been partially implemented.

Follow-up Observations

Recommendation 1

Ensure that cash controls conform to the minimum standards set forth in the Financial Planning and Control Manual.

Status - Fully Implemented

Agency Action - Our review found that the Manhattan Civil Court is now in compliance with the procedures set forth in the Financial Planning and Control Manual.

Recommendation 2

Ensure that revenue collection and recording duties are separated adequately.

Status - Fully Implemented

Agency Action - The Court responded to our prior report that the number of employees involved in the fee collection process had been increased to provide for the adequate separation of duties. We found that the fiscal officer is no longer involved in many of the responsibilities that were cited in our prior report and that an adequate separation of duties now exists.

A Daily Fiscal Record has been designed to document the individuals involved in the various stages of collection along with the required supervisory review. This record is used by all three courts (i.e., Civil, Housing and Small Claims) to record revenue collections. Our examination of the Daily Fiscal Records at the Civil and Housing Courts for the period January 1997 through February 1998 found that there were documentation and accountability for those individuals responsible for collecting, verifying, and approving any voids, corrections or discrepancies that might have occurred. However, a sample of Daily Fiscal Records at the Small Claims Court found that, while the cash collections were being verified, the cashier's name, the name of the verifier, and the name of the supervisor were generally not indicated.

Recommendation 3

Ensure that the Housing Court cashier uses the dated end-of-day report to document the summary of the day's transactions.

Status - Fully Implemented

Agency Action - The Housing Court now uses an end-of-day report which is the Daily Fiscal Record. The Daily Fiscal Record documents the cashiers who collected the revenue, the amount received and the name of the individual who verified this amount. The verification is done by a non fiscal employee. A supervisor is required to sign off on each Daily Fiscal Record at the end of the day. This record is also used by the General Clerk's Office and Small Claims Court. The record also lists the deposit from the previous day which is verified by a supervisor to the amount shown on the bank ticket. Any voids, corrections or discrepancies must be explained and signed off by a supervisor. Our examination of the Daily Fiscal Records for the Housing Court for the period January 1997 through February 1998 found no exceptions.

Recommendation 4

Ensure that records of cash register shortages and overages are maintained, and explanations for such are documented.

Status - Fully Implemented

Agency Action - The Court has established written procedures regarding the handling of cash register shortages and overages which require documented explanations and supervisory review. Any such discrepancies must be indicated on the Daily Fiscal Record. Our examination of these records at the General Clerk's Office for the period January 1997 through February 1998 found that noted discrepancies were explained, documented by a receipt, and signed off by a supervisor. No discrepancies were found in our examination of the Housing Court or Small Claims Court records for the same time period. Also, to further tighten controls, the Court took the initiative to implement a random cash drawer audit policy in the General Clerk's Office whereby a cashier is picked for an audit and the register money is counted.

Recommendation 5

Program the cash registers to record accurately the fees paid by a combination of cash and check.

Status - Fully Implemented

Agency Action - Cash registers have been programmed to record accurately the fees paid by a combination of cash and check in the General Clerk's Office. The Housing Court and Small Claims Court cash registers are not programmed to record split payments. Court officials explained that split payments are not received at the Housing Court which would necessitate such a program and that the Small Claims Court does not receive checks. Court officials further explained that while these cash registers are not programmed to record split payments, the General Clerk's Office produces a computer printout each day of each cashier's receipts for all the courts. This printout is based on information from each cashier's "cashout" and consists of a detailed summary of the following: total transactions processed; number of checks and certified checks; cash; money orders; and no fee transactions. The fiscal officer verifies the accuracy of this report to the revenue received.

Recommendation 6

Ensure that the functions of collecting cash and providing related transaction services are separated adequately.

Status - Fully Implemented

Agency Action - The Court believes that the newly installed cash registers and other safeguards now in place provide adequate controls to insure proper receipt, processing and deposit of cash. The Court also indicated that it is unable at this time to hire additional staff so that there is a separation in the certification and receipt process. The Court feels that controls are in place

with the creation of the Daily Fiscal Record which indicates accountability and approval and is adequately documented. Our examination of these records found that the Court properly documented the separation of functions when collecting cash and providing related transaction services.

Recommendation 7

Ensure that voided transactions are properly documented and independently reviewed and approved.

Status - Fully Implemented

Agency Action - The Court responded to our prior report that a log had been created to document all voided transactions and that these voided transactions are contemporaneously and independently reviewed and approved by a supervisor. Our sample of voided and correction transactions listed on the Daily Fiscal Record found that there was proper documentation along with the necessary approvals.

Recommendation 8

Ensure that prescribed procedures for the handling of mail receipts and for the safeguarding of checks are followed.

Status - Fully Implemented

Agency Action - The Court responded to our prior report that when mail was received, all checks would be segregated and endorsed, that a list of such checks would be created, and that the checks would be promptly distributed to the appropriate cashier for deposit. This function would be assigned to an employee in each of the offices who was not involved in any other fiscal function. We confirmed that this procedure was being followed.

Recommendation 9

Periodically change the combinations of safes in the General Clerk's Office and the Housing Court.

Status - Fully Implemented

Agency action - The Court responded to our prior report that the safe combinations had been changed and would be changed periodically. Combinations have been distributed to only those employees requiring appropriate access and a record is kept indicating those employees requiring such access. The safe combinations were changed for all the courts three times since our prior audit.

Recommendation 10

Display signs that list fees and advise customers to request a receipt.

Status - Fully Implemented

Agency Action - We found that the appropriate signs were in all courts except the Small Claims Court where we found no sign advising the customer to ask for a receipt. The Court immediately informed the cashiers that this sign was missing whereupon it was placed in the window.

Recommendation 11

Modify the terminals used by the General Clerk's Office and the Housing Court so that they are operable only during business hours.

Status - Fully Implemented

Agency Action - The cash register terminals in the General Clerk's Office operate only during the business hours of 8:30 a.m. to 6.00 p.m. Lockout occurs after 6:00 p.m. with no exceptions. The cash register terminals in the Housing Court have been modified so as to operate only during the business hours of 8:30 a.m. to 5:30 p.m. except on Thursday evenings when the Court stays open until 7:00 p.m.

Recommendation 12

Modify the terminals in the General Clerk's Office system so that they log off automatically when inactive, shut down after a series of unsuccessful access attempts, and flag unsuccessful attempts to access a control terminal.

Status - Fully Implemented

Agency Action - The Court responded to our prior report that after three unsuccessful attempts in a 24-hour period a log off automatically will occur and the individual will be operating on the VAX mainframe only. The VAX password is changed every 90 days. The Court's other system (Court View) operates on a separate computer and requires two passwords to access the system, and logs out automatically after three unsuccessful attempts. All unsuccessful attempts are flagged. The Court's System Technology Unit is responsible for investigating and clearing all lockouts.

Recommendation 13

Control physical access to computer systems by restricting access to the VAX computer.

Status - Partially Implemented

Agency Action - The Court requested the construction of a separate secured room for their mainframe VAX computer. The building the Court is located in is owned by New York City. The Court supplied copies of work orders sent to the City for the last two years to do this construction, but, to date, no work has been performed. Currently the computer system is within a large secured room.

Auditors' Comments - While this construction has not taken place, the Court has taken the initiative to request work orders for the construction to be done.

Recommendation 14

Ensure a safe environment for the VAX computer.

Status - Partially Implemented

Agency Action - In connection with the requested construction of a secured room for the VAX computer, the Court has obtained work orders that have called for proper climate control and the installation of a computer-compatible fire extinguishing system. The Court is currently waiting for the City to start such construction.

Auditors' Comments - As in Recommendation 13, the Court has taken the initiative to request work orders for construction to take place.

Recommendation 15

Store back-up files at an off-site location.

Status - Fully Implemented

Agency Action - Back-up files are currently being stored at the County Court House (Richmond) on Castleton Avenue in Staten Island, N.Y.

Recommendation 16

Change passwords periodically; ensure that they are long enough; and ensure that passwords are unique and confidential.

Status - Fully Implemented

Agency Action - In the General Clerk's Office, the VAX passwords are six characters and are automatically changed every 90 days. The Court View system passwords have been enhanced to six characters and have been changed twice since our prior audit and are also done upon an individual's termination. At the Housing Court, passwords have been lengthened to six characters.

Recommendation 17

Document requests and authorizations to add users to the General Clerk's Office system.

Status - Fully Implemented

Agency Action - Requests and authorizations to add users to the General Clerk's Office system are now documented in a regularly maintained log. Users are tracked in and out of the system.

Recommendation 18

Document authorization and approval of the installation and changes to the programs used by the Housing Court system, and prepare written procedures for making changes to programs used by the General Clerk's Office and Housing Court systems.

Status - Fully Implemented

Agency Action - The Court had responded to our prior report that written procedures concerning changes to either the General Clerk's Office or the Housing Court system has been established.

We confirmed that a process to document requests and authorizations of changes in both systems has been implemented.

Major contributors to this report were Aaron Fruchter and Charles Johnson.

We would appreciate your response to this report within 30 days, including any action planned or taken to address any unresolved matters discussed in this report.

We also would like to thank the management and staff of the Manhattan Civil Court for the courtesies and cooperation extended to our staff during this review.

Very truly yours,

William P. Challice
Audit Director

cc. Robert L. King, DOB
Dennis Donnelly, OCA