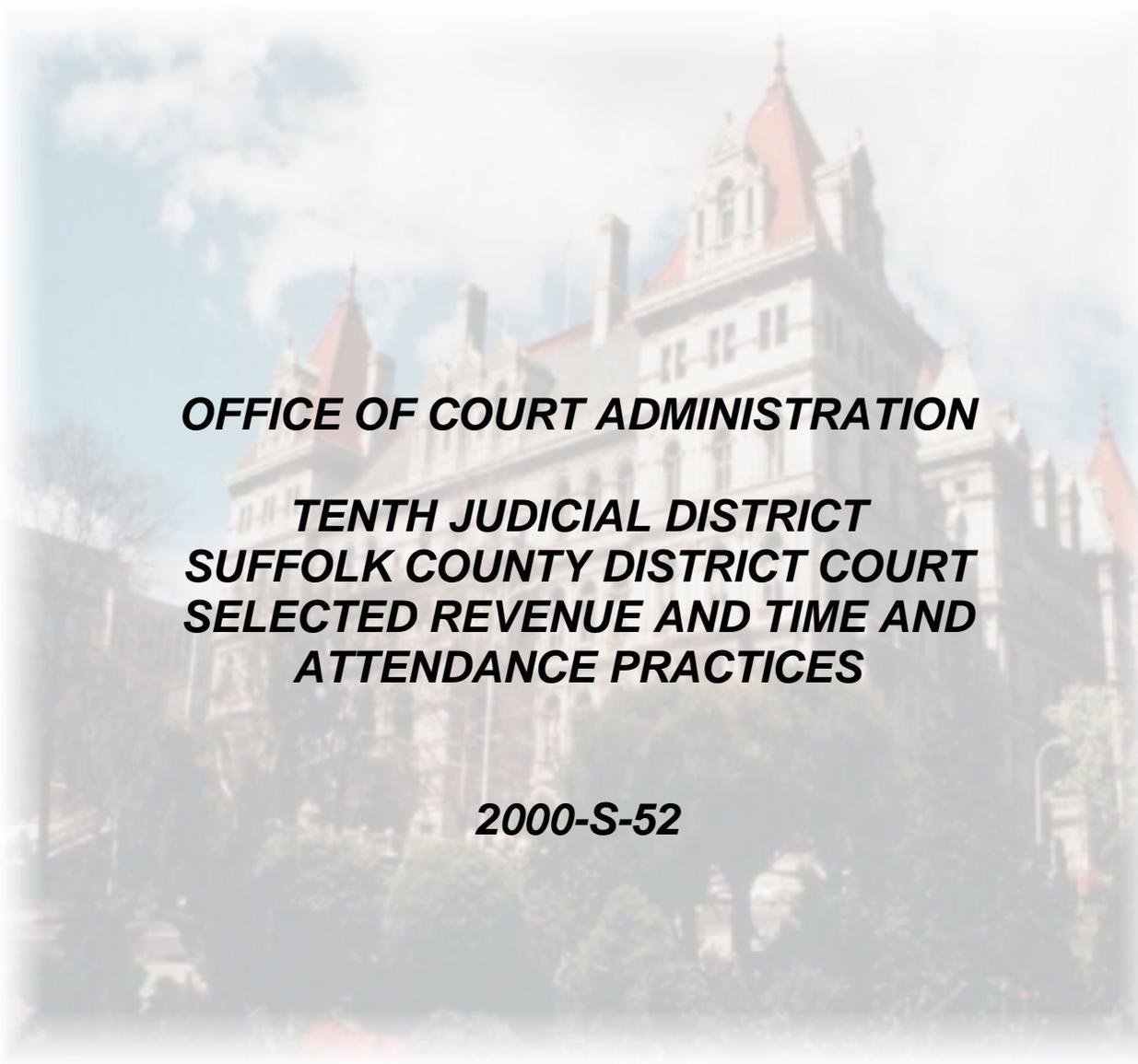


NEW YORK STATE OFFICE OF THE STATE COMPTROLLER

**H. Carl McCall
STATE COMPTROLLER**



**OFFICE OF COURT ADMINISTRATION
TENTH JUDICIAL DISTRICT
SUFFOLK COUNTY DISTRICT COURT
SELECTED REVENUE AND TIME AND
ATTENDANCE PRACTICES**

2000-S-52

**DIVISION OF MANAGEMENT AUDIT AND
STATE FINANCIAL SERVICES**

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H. Carl McCall
STATE COMPTROLLER

Report 2000-S-52

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

Dear Judge Lippman:

The following is a report of our audit of Selected Revenue and Time and Attendance Practices at the Suffolk County District Court in the Tenth Judicial District.

This audit was performed 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. Major contributors to this report are listed in Appendix A.

*Office of the State Comptroller
Division of Management Audit
and State Financial Services*

December 6, 2001

Division of Management Audit and State Financial Services

A.E. SMITH STATE OFFICE BUILDING ♦ ALBANY, NEW YORK 12236
123 WILLIAM STREET ♦ NEW YORK, NEW YORK 10038

EXECUTIVE SUMMARY

OFFICE OF COURT ADMINISTRATION TENTH JUDICIAL DISTRICT – SUFFOLK COUNTY DISTRICT COURT – SELECTED REVENUE AND TIME AND ATTENDANCE PRACTICES

SCOPE OF AUDIT

The Tenth Judicial District of New York State's Unified Court System comprises Nassau County and Suffolk County. The Suffolk County District Court (Court) has jurisdiction over civil cases involving amounts up to \$15,000 and criminal cases involving misdemeanors, violations, and offenses. In the course of administering its cases, the Court may impose and collect fines, fees, and surcharges as well as bail and trust funds. According to Court records, for the 27 months ended March 31, 2001, about \$23.6 million in such revenues were collected by the Court, which employs 308 non-judicial staff. For the period April 1, 1999 through March 31, 2001, the Court incurred nearly \$35.8 million in personal service costs.

Our audit addressed the following question about selected aspects of the Court's internal controls for the period January 1, 1999 through March 31, 2001:

- Has the Court established adequate internal controls over revenue collection practices and selected time and attendance practices?

AUDIT OBSERVATIONS AND CONCLUSIONS

We found that improvements are needed in the internal controls established by the Court to maintain full accountability over revenue collections, and to fully protect revenue that has been collected against loss.

We found that some of the Court's revenue processing practices do not comply with applicable internal control guidelines. For example, while payments received in the mail should be logged in as soon as they are received to establish accountability over the revenue, at the two Court facilities we visited, these payments were not logged in at the time of receipt. As a result of this and other control weaknesses we identified, the revenue collected by the Court is not fully protected against loss. We recommended several actions to strengthen internal controls over revenues. (See pp. 4-5)

According to the Court's accounts receivable records, a total of \$969,405 in unpaid fees, fines, and other amounts were owed to the Court at the time of our audit by 2,111 individuals (\$373,390) and 389 businesses (\$596,015). Many of these amounts had been outstanding for several years. We recommended that Court officials identify those receivables they feel are not collectible and seek the proper authorization to have them written off. They should also actively pursue those receivables they deem to be collectible. In response, OCA officials pointed out that the outstanding receivables amounted to less than 1 percent of the revenues collected during the period in which the receivables had been outstanding, and characterized such receivables as being difficult to collect. Nevertheless, they indicated that the Unified Court System initiated an aggressive new program for collecting outstanding fines, surcharges, and other fees. (See pp. 5-7)

We noted the District Court does not have a formal sick leave-monitoring policy, which includes a criterion for instances of sick leave usage that should be flagged for review by a supervisor. We recommended such a policy be established. (See p. 8)

COMMENTS OF OCA OFFICIALS

While OCA officials did not fully agree with all of our conclusions, they nevertheless indicated steps are being taken to implement most of the report's recommendations.

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INTRODUCTION

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. These courts are divided into 12 judicial districts, each of which oversees the administrative operations of all State courts in its geographic area. In the Tenth Judicial District, which comprises Suffolk County and Nassau County, the courts in each county operate independently under the direction of separate administrative judges. The various courts in Suffolk County include the County Court, the Supreme Court, the Family Court, the Surrogate's Court, and the District Court. This audit focused on certain financial management practices at the District Court.

The Suffolk County District Court (Court) operates in six different locations: Central Islip, Ronkonkoma, Deer Park, Huntington, Hauppauge, and Patchogue. The Court has jurisdiction over civil cases involving amounts up to \$15,000 and criminal cases involving misdemeanors, violations, and offenses. The Court may impose and collect fines, fees, and surcharges, as well as bail and trust funds. Depending on the law involved, the fine, fee, or surcharge is forwarded to either a State, County, Town or Village office. According to Court records, for the 27 months ended March 31, 2001, the Court collected approximately \$23.6 million in fines, fees, surcharges, and bail and trust monies, of which roughly \$10.6 million was forwarded to the State.

In March 2001, the Court employed 308 non-judicial staff at its six locations. For the period April 1, 1999 through March 31, 2001, the Court incurred nearly \$35.8 million in personal service costs.

Audit Scope, Objectives, and Methodology

We audited the revenue collection and selected time and attendance practices of the Suffolk County District Court for the period January 1, 1999 through March 31, 2001. The objectives of this financial-related audit were to determine

whether the internal control structure over the revenue cycle provided reasonable assurance that State revenue is being collected, accounted for properly, and remitted to the State Treasury. We also determined the extent to which selected time and attendance practices were being monitored by the court. To accomplish our objectives, we reviewed applicable laws, policies, and procedures; interviewed Court management and staff; reviewed relevant Court records; observed operations; and tested transactions.

We conducted our audit in accordance with generally accepted government auditing standards. Such standards require that we plan and perform our audit to adequately assess those operations which are included in our audit scope. Further, these standards require that we understand the Court's internal control structure and its compliance with those laws, rules, and regulations that are relevant to the operations included in our audit scope. An audit includes examining, on a test basis, evidence supporting transactions recorded in the accounting and operating records and applying such other auditing procedures as we consider necessary in the circumstances. An audit also includes assessing the estimates, judgments, and decisions made by management. We believe our audit provides a reasonable basis for our findings, conclusions, and recommendations.

We use a risk-based approach when selecting activities to be audited. This approach focuses our audit effort on operations that have been identified through a preliminary survey as having the greatest probability for needing improvement. Consequently, by design, finite audit resources are used to identify where and how improvements can be made. Thus, little audit effort is devoted to reviewing operations that may be relatively efficient or effective. As a result, our audit reports are prepared on an "exception basis." This report, therefore, highlights those areas needing improvement and does not address activities that may be functioning properly.

Internal Control and Compliance Summary

Our consideration of the Court's internal control structure focused on controls over revenue collection and selected time and attendance practices. We identified weaknesses in the controls over revenue collection, which are described in the section of this report entitled *Revenue Controls*.

Response of OCA Officials to Audit

A draft copy of this report was provided to OCA officials for their review and comment. Their comments were considered in the preparation of this report and are included as Appendix B. In addition, the State Comptroller's Notes to OCA's response are included as Appendix C.

While OCA officials did not fully agree with all of our conclusions, they nevertheless indicated steps are being taken to implement most of the report's recommendations.

Within 90 days after final release of this report, we recommend that the Chief Administrative Judge of the Office of Court Administration report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendations contained herein, and where recommendations were not implemented, the reasons therefor.

REVENUE CONTROLS

OCA's Financial Planning and Control Manual (Manual) includes internal control guidelines that are to be followed by the courts in their collection, recording, deposit, classification, and disbursement of revenues. We determined that certain Court revenue-handling practices do not fully comply with the guidelines contained in the Manual, and that improvements are needed. As a result of this noncompliance, the revenue collected by the Court may not be fully protected against loss or misappropriation.

Receipt and Control of Cash

District Court personnel are responsible for collecting court-related fees and fines and preparing them for deposits. A court courier picks up the daily deposits from the outlying courts and brings them to the Court's main facility in Central Islip. At Central Islip, staff deposit the monies in the bank and perform the weekly wire transfers of State revenues and the monthly reconciliation of the Court bank accounts.

Mail Receipts

We reviewed the cashier operations at two Court locations: the Criminal Part Office in Central Islip and the First/Fifth District Office in Ronkonkoma. According to Chapter 3.030.4 of the Manual, the courts should maintain a listing of remittances received. This practice helps establish accountability and reduces the risk of payments being lost or misplaced before they can be processed. However, neither office logs payments as soon as they have been received by mail. Instead, the mail is opened centrally and then distributed to the respective departments for further processing.

Cashier Windows

According to Chapter 3.030.3 of the Manual, cashier windows in courts should display a sign advising payers to request receipts.

However, none of the cashier windows at the six District Court locations we visited displayed such a sign.

Controls Over Financial Stationery

According to Chapter 3.020.5 of the Manual, financial stationery should be secured properly in a cash drawer, vault, safe, or locking file cabinet to which only authorized personnel have access. Just two of the outlying district offices we visited had secured their manual receipts books as stated in the Manual.

Other Matters

We noted several other instances in which the Court's revenue-handling practices did not comply with OCA's internal control guidelines. After we informed them about these instances of noncompliance, District Court officials took corrective action to remedy the following deficiencies:

- The First/Fifth District Office in Ronkonkoma did not secure unprocessed mail receipts overnight in a locked cash drawer, vault, safe, or locking file cabinet, as required by Chapter 3.060.2 of the Manual.
- District Court officials did not remove the name of the former Chief Clerk as an authorized signatory for the Court's four bank accounts after his tenure at the District Court ended.
- The Criminal Part Office in Central Islip maintained the checkbook for the Bail account in a file cabinet in the Cashiering Office, which staff did not secure at the end of each working day.

Outstanding Receivables

According to the Court's accounts receivable records as of November 30, 2000, a total of \$969,405 was owed to the Court by 2,111 individuals and 389 businesses. The records show many of these receivables have been outstanding for several years, as follows:

Year	Number of Accounts	Amount Due Individuals	Number of Accounts	Amount Due Businesses
1990 and Prior	89	\$10,925	65	\$18,575
1991	34	8,050	0	0
1992	12	1,275	1	500
1993	15	4,495	0	0
1994	26	7,015	2	1,000
1995	57	12,525	6	1,150
1996	114	23,505	14	11,775
1997	486	69,930	111	224,525
1998	506	80,480	91	192,175
1999	506	100,650	71	77,775
1/1/00– 11/30/00	266	54,540	28	68,540
Totals	2,111	\$373,390	389	\$596, 015

In a recent audit of the Nassau County District Court (Report 99-S-23, issued November 16, 2000), we identified outstanding receivables totaling approximately \$6.3 million, and recommended that the Nassau Court explore ways to improve the timeliness and effectiveness of the revenue-collection process.

In response to that audit, OCA officials stated that the Unified Court System was initiating an aggressive new program for collecting outstanding fines, surcharges, and other fees. Furthermore, they stated that they had recently contracted with a private collection agency that would operate on a pilot basis in six courts across the State, including the Suffolk County District Court, to collect money owed to the courts. They said they would be closely evaluating the progress of the pilot program and would work toward expanding the program statewide if it demonstrated success.

As part of the Nassau County District Court audit, we examined randomly-selected outstanding receivables for both businesses and individuals to verify the accuracy of the amounts and to determine what actions had been taken to collect the unpaid amounts. However, based on information provided in the OCA response, we did not conduct a similar examination for the Suffolk County District Court. OCA officials stated that the outstanding receivables we identified amounted to less than 1 percent of the revenues collected during the period in which the receivables had been outstanding, and characterized such receivables as being difficult to collect. Furthermore, they claimed they have no mechanism that would allow these receivables to be written off. OCA officials need to examine the

outstanding receivables and identify those they feel are not collectible. They should then seek the proper authorization to write off these receivables. For any receivables deemed to be collectible, OCA officials should strengthen their collection efforts.

Recommendations

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.
2. Post a sign at the cashier windows at all District Court locations that advises customers to request receipts for their transactions.
3. Instruct staff on the need to properly secure financial stationery, such as manual receipts books, in cash drawers, vaults, safes, or locking file cabinets to which only authorized personnel have access.
4. Seek appropriate authorization to write off those outstanding receivables identified as not being collectible. Pursue collection of those receivables deemed to be collectible.

SELECTED TIME AND ATTENDANCE PRACTICES

In March 2001, the Court employed 308 non-judicial staff at its six locations. For the period of April 1, 1999 through March 31, 2001, the Court incurred nearly \$35.8 million in personal service costs. We examined time and attendance practices related to sick leave and overtime usage for Court employees and performed a floor check at all six Court locations to account for all non-judicial employees assigned to the Court's payroll. Using VERIS check software, we also ascertained the validity of the Social Security numbers for all Court employees.

We reviewed overtime payments to the 10 employees with the highest overtime earnings over a period of 35 weeks, and found 6 minor discrepancies -- 2 underpayments and 4 overpayments. We reported our findings to Court officials; they took corrective action during our fieldwork.

From a November 8, 2000 listing of the sick leave balances for all Court employees, we selected the 25 employees with the lowest balances, and examined their usage patterns for the period June 24, 1999 through November 8, 2000. Collectively, these 25 employees used 1,556 hours of sick leave accruals, which represented 104 percent of the total amount available to them for that period. To determine whether Court management had counseled the individuals whose usage appeared to be excessive, we reviewed the personal files of this group of employees. We found that six of them had not been counseled as potential sick leave abusers. We noted the District Court does not have a formal sick leave-monitoring policy, which includes a criterion for instances of sick leave usage that should be flagged for review by a supervisor.

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.

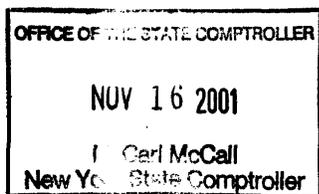
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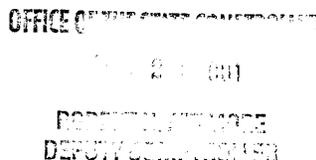
Jonathan Lippman
Chief Administrative Judge



25 Beaver Street
New York, N.Y. 10004
(212) 428-2100

November 13, 2001

Hon. H. Carl McCall
Comptroller
Alfred E. Smith State Office Building
Albany, New York 12236



Dear Comptroller McCall:

The Office of the State Comptroller has issued draft audit report 2000-S-52 relative to its audit of selected revenue and time and attendance practices at the Suffolk County District Court.

The Suffolk County District has 24 judges and 326 non-judicial staff operating in six separate court facilities throughout Suffolk County. The Court receives an average of 175,000 filings and manages over \$10 million annually. I am pleased that the audit did not identify a single financial or time and leave transaction that was handled improperly.

The audit report included comments concerning the sick leave usage of six employees selected by the auditors. Substituting their judgment for that of court administrators, the auditors, in hindsight, recommend that these employees should have been counseled about sick leave abuse.

Use of sick leave must be considered on a case-by-case basis and viewed with knowledge of all the relevant facts and circumstances surrounding the employee's disability or illness (or lack thereof). The immediate supervisor is the person best suited to determine whether an employee's use of sick leave is justified. Accordingly, supervisors have been charged with this responsibility and we rely upon their discretion to identify sick leave abuse based on the totality of circumstances. They are expected to consider, among other things, the frequency, pattern or length of sick leave use. In addition, they are responsible for maintaining strict control over each employee's time sheet, which reports sick leave accrual balances at the beginning and end of each time sheet reporting period.

Given the small number of potential abusers identified by the auditors, it is our belief that the District Court has done an effective job in monitoring sick leave abuse. The report should acknowledge this, rather than criticize the practice.

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* See State Comptroller's Notes, Appendix C

Appendix B

The report identified receivables of \$969,000 that have accumulated at the Court over the past ten years. The report should, as a matter of perspective, note that the Court has had revenues in excess of \$100 million during the period that the receivables have accumulated.

As we have pointed out in response to other audits, the Unified Court System has initiated an aggressive pilot program for the collection of past due fees and fines. The program includes a contract with private agency for collection. If successful, this program will be extended statewide.

The report recommends that the Unified Court System seek authorization to "write-off" certain outdated receivables. When fine money is due to the court, the normal accounting tests for writing off receivables do not apply. As is true with any other penalty, if a fine is assessed against a litigant, it remains due until satisfied.

The report indicates that the Court did not timely remove the name of the Court's former Chief Clerk as an authorized signatory for the Court's bank accounts. During the audit fieldwork, the Chief Clerk was promoted to County Court. During the transition, the former Clerk continued in some of his duties at the District Court, including signing checks. As soon as the transition was completed, his name was removed from the bank account.

The Court is reviewing, within constraints of current resources, its procedures for handling mail receipts. The Court has implemented recommendations concerning printing of signs at the cashier windows and the securing of financial stationery.

Sincerely,



/smw

c: Hon. Joseph J. Trafficanti, Jr
Hon. Ann T. Pfau
Hon. Alan D. Oshrin
Dennis W. Donnelly, CPA

* Note 2

State Comptroller's Notes

1. During our audit, Court officials advised us of their policy to monitor sick leave. The policy was not in writing and, as such, we were concerned that it may not have been applied consistently. Our tests confirmed this to be the case. The intent of our recommendation is to ensure that all court employees are treated equitably.
2. When we discussed this matter with Court officials during the audit, they agreed that a portion of the outstanding receivables were outdated and no longer collectible. As such, we are recommending that the Court identify those receivables and seek the authorization to write them off.