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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 23, 2003

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

Re: Report 2003-F-20

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 reviewed the actions taken by officials of the Nassau County District Court in the Tenth Judicial District of the Office of Court Administration as of July 22, 2003, to implement the recommendations contained in our prior audit report, *Revenue Collection and Selected Time and Attendance Practices* (Report 99-S-23). Our prior report, which was issued on November 16, 2000, reviewed the adequacy of internal controls over revenue collection and selected time and attendance practices for the period April 1, 1998 through December 31, 1999.

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 Nassau County and Suffolk County, the courts in each county operate independently under the direction of separate administrative judges.

The Nassau County District Court (Court) operates in four different locations: Hempstead, Great Neck, Hicksville, and Mineola. The Court has jurisdiction over civil cases involving amounts up to \$15,000 and criminal cases involving misdemeanors, violations and offenses. The Court may also conduct preliminary hearings in felony cases. In the course of administering its cases, 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 a State, County, Town or Village office. According to Court records, for the calendar year ended December 31, 2002 (the most recent 12-month period available), about \$11.8 million in fines, fees, surcharges, bail funds and trust funds was collected by the Court, of which about \$5.2 million was forwarded to the State. In addition, Court records indicated that, as of May 8, 2003, the Court had a total of about \$8.4 million in accounts receivables. Of this amount, about \$3.2 million was owed by corporations, while the remaining \$5.2 million was owed by individuals.

Summary Conclusions

Our prior audit found that improvements were needed in the internal controls established by the Court if its accounts receivable records were to be accurate and reliable, its revenue collection process was to be effective, and the revenue that had been collected was to be fully protected against loss. As part of that audit, we had examined the actions taken by the Court in trying to collect accounts receivable that had been outstanding for more than one year. We found that the collection of these accounts was not always actively pursued, mainly because collection efforts were not considered cost-effective. Also, communication between the Court and the local government agencies, such as the Nassau County Attorney and the Nassau County Sheriff to coordinate collection efforts, was not always effective. In addition, we had examined the Court's revenue processing practices and found that some did not fully comply with applicable internal control guidelines. For example, checks received in the mail at the Civil Part Office in Hempstead were not logged in upon receipt. Lastly, we had determined that improvements were needed in Court procedures for ensuring that employee attendance was accurately recorded.

In our follow-up review, we found that District Court officials have made progress in implementing the recommendations contained in our prior audit report. Specifically, they have developed a computer program to update accounts receivables, posted the required sign advising customers to request receipts at the cashier window in Great Neck, changed the combinations for all court safes, and reminded supervisors of employee compliance with the Court's time and attendance procedures. In addition, the District Court participated in OCA's statewide pilot program to collect outstanding fines, fees and surcharges owed to the courts.

Summary of Status of Prior Audit Recommendations

Of the 11 prior audit recommendations, District Court officials have implemented seven recommendations, partially implemented two recommendations, and have not implemented two recommendations.

Follow-up Observations

Recommendation 1

Establish appropriate procedures and controls to ensure that the accounts receivable records accurately reflect outstanding amounts.

Status – Implemented

Agency Action – The District Court official in charge of its Accounting Office indicated that he now runs a monthly computer program that updates accounts receivable. He provided us with a sample monthly report which is used to reconcile the individual accounts receivable records to the payments received.

Recommendation 2

Improve the coordination and communication among the public officials involved in the collection of Court fines, fees and surcharges.

Status – Implemented

Agency Action – As part of their efforts to improve coordination and communication, District Court officials cross check payments they receive on disk from the Nassau County Sheriff to the Court's outstanding receivable records. They provided us with a copy of an exception report, which is generated as a result of this match.

Recommendation 3

Develop procedures for identifying accounts owed by decedents, for determining whether such accounts can be paid by the decedents' estates, and for writing off any such accounts that cannot be paid by the estates.

Status – Not implemented

Agency Action – OCA and District Court have not developed procedures to write-off unpaid accounts receivable.

Recommendation 4

Explore ways to improve the timeliness and effectiveness of the revenue collection process, such as contacting other courts to share "best practices" and initiating pilot studies/projects that test the success of alternative collection approaches. In addition, discuss ways to enhance collections with the Nassau County Attorney.

Status – Partially Implemented

Agency Action – The District Court participated in OCA's statewide pilot program to collect outstanding fines, fees and surcharges. In addition, District Court officials enhanced the collection process for judgments by including in the mailing a copy of the judgment with a letter advising the defendant to pay their outstanding monies or face the possibility of further action. However, District Court officials told us that because they were working on the pilot program, they have not yet discussed, with the Nassau County Attorney, ways to enhance collections.

Recommendation 5

At the Great Neck and Hicksville locations, either separate cashhandling duties from record keeping duties, or periodically verify the cash receipt transactions.

Status – Partially Implemented

Agency Action – The District Court official in charge of its Accounting Office indicated that he periodically reviews cash receipt transactions when he visits the Great Neck and Hicksville Court locations. However, he does not maintain any records to document his reviews.

Recommendation 6

At the Civil Part Office in Hempstead, record mail receipts as soon as they are received.

Status – Not implemented

Agency Action – OCA and District Court officials do not believe that logging in mail receipts at the Civil Part Office in Hempstead is necessary.

Recommendation 7

At the Great Neck location, post a sign at the cashier window advising customers to request receipts for their transactions.

Status – Implemented

Agency Action – The appropriate signs are now posted.

Recommendation 8

Change the combinations for all court safes at least biannually.

Status – Implemented

Agency Action – District Court officials indicated that they now change the safe combinations every six months. OCA provided us with evidence of the last two safe combination changes.

Recommendation 9

Review the circumstances surrounding the \$350 check, and promptly remit the check to the appropriate individual.

Status – Implemented

Agency Action – During the prior audit, when we had examined the contents of the safe at the Great Neck location, we found an envelope containing a \$350 check dated October 13, 1994, that was payable by an attorney to an individual. During our follow-up review, the District Court official in charge of its Accounting Office advised us that the respective case file noted that the check was destroyed.

Recommendation 10

Document all applicable time and attendance procedures, and issue the procedures to the affected employees.

Status – Implemented

Agency Action – District Court officials indicated that all supervisors now have copies of the Court's time and attendance manual, and that they were reminded of the expectation that all employees comply with the procedures contained therein. In addition, the Chief Clerk of the District Court recently issued a memo to supervisors on time and attendance procedures.

Recommendation 11

Remind the court reporter who left work without authorization of the required time and attendance procedures, and of the need to comply with these procedures.

Status – Implemented

Agency Action – OCA and Court officials resolved this matter.

Major contributors to this report were Richard Sturm, Barry Mordowitz, and Ira Lipper.

We would appreciate your response to this report within 30 days, indicating any actions planned or taken to address the unresolved matters discussed in this report. We also thank the management and staff of the District Court for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

William P. Challice
Audit Director

cc: Deirdre A. Taylor