

Best Practices: New York State Town and Village Justice Court Audits

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The New York State Justices and Governing Board are responsible for the financial affairs of the Justice Court, including establishing and maintaining an effective system of internal control. An effective system of internal control encompasses the books and records for the recording of financial transactions and the systems and procedures to ensure that all transactions are executed in accordance with management's authorization, applicable laws and State regulations.

Below is a discussion of some best practices to consider when establishing and maintaining internal controls, as well as some common deficiencies noted by auditors during Justice Court audits.

Recording Cash Receipts

Justice Courts collect money for several areas such as fines/forfeitures, bail collections and parking. When the Justice Court receives money from individuals, this is considered a cash receipt, even if it is paid by credit card. Every time money is collected, the Justice Court should issue a receipt which includes the following:

- Unique cash receipt number in sequential order
- Date of receipt
- Name of individual who paid
- Amount of collection
- Indication of whether the money was for fines/forfeitures, bail, etc.

Identifying these key pieces of information will assist the Justice Court in staying organized and ensuring the correct revenues are being recorded and remitted.

Depositing Cash Receipts

Justice Courts encounter large quantities of receipts on a daily basis. The Office of the New York State Comptroller recommends that deposits are made within 72 hours of collection, exclusive of Sundays and holidays, to ensure receipts are being properly handled. The Justice Court should be keeping on file a copy of the deposit slip and deposit detail. This allows for easy reconciliation between individual receipts and bank statements.

Filing the Monthly New York State Distribution Report and Remittance to the Municipality

Each month, the Justice Court must file a monthly distribution report with the Office of the New York State Comptroller that agrees to the revenues received for the month. The report must be filed within 10 days following the end of the month. If the Justice Court participates in the Invoice Billing Program, then a check is written to the corresponding municipality (i.e., Town, Village, etc.) for the same amount. To easily track proper receipts and disbursements, we recommend creating a monthly excel worksheet. Each month's disbursements should match exactly to the prior month's receipts. If they do not match, something was not recorded properly, and the difference should be researched.

Performing Bank Reconciliations

Bank reconciliations should be performed monthly by the Justice Court. To start a bank reconciliation, the Justice Court would determine their book balance and bank balance at month-end and reconcile the difference.

The difference between the book balance and the bank balance is a result of timing differences. Common reconciling items include deposits in transit and outstanding checks. Deposits in transit are a timing difference that occur when the Justice Court has physically received and recorded the money in their books, but it has not yet been recorded in the bank account where the funds were deposited. It will typically be reflected in the bank balance in the first few days following month-end. Deposits in transit result in a higher book balance than bank balance at month-end.

Outstanding checks are also a timing difference that occur when the Justice Court has physically written a check and recorded it in their books, but the check has not yet been cashed by the recipient at month-end. This results in a lower book balance than bank balance at month-end. We recommend that after one year, the Justice Court begin to evaluate whether an old outstanding check will be cashed. The Justice Court can reach out to the individuals to determine whether a check should be voided and reissued, or if the check will be written off completely. We recommend that a list of all outstanding checks be attached to all bank reconciliations and include dates, check numbers, payees and amounts.

Monthly Reconciliation of Bail and Parking

Bail activity reports should be filed monthly and include amounts, actual names and the date received for each bail receipt. The Justice Court should be tracking receipts and disbursements monthly and reconciling to the bail report summary to ensure no discrepancies exist. We recommend that any bail amounts over five years old be evaluated to determine their validity.

Parking reconciliations should also be performed monthly identifying the amounts, names and dates for each receipt.

Common Deficiencies Identified

Below are some of the common deficiencies typically found during an audit of a Justice Court:

- **Timeliness of Deposits:** Money received from the Justice Court was not deposited into the bank accounts within 72 hours of receipt.
- **Timeliness of Reporting:** The Justice Court did not report all fines, forfeitures, bail amounts and fees to New York State within the required 10 days following the end of the month.
- **Bail Balance Irreconcilable Difference:** The bail reconciliation did not fully reconcile the book balance to the bail ledger balance resulting in a difference that should be investigated.
- **Outstanding Parking Tickets Over Five Years Old:** The Justice Court has parking tickets outstanding over five years and the municipality has not provided any documentation showing that a review of these tickets was performed.
- **Segregation of Duties:** The Court Clerk's duties should be reviewed for proper segregation of duties. The individual who enters the receipts and disbursements should not be the same person who reviews and signs off on the report. Further, the individual who submits the reports to New York State should be different from the individual who records the receipts and disbursements.

Through the best practices mentioned above, these issues can be mitigated and help with the efficiency of operating a Justice Court.

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