

NEW YORK STATE  
UNIFIED COURT SYSTEM

Internal Control Report

April 1, 2007 through March 31, 2008

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INDEPENDENT ACCOUNTANTS' REPORT

The Chief Judge of the New York  
State Unified Court System:

We have examined management's assertion included in its representation letter dated October 29, 2010 that the New York State Unified Court System's internal controls maintained during the period April 1, 2007 through March 31, 2008, are adequate to meet the criteria for maintaining internal control as established in the "New York State Governmental Accountability, Audit and Internal Control Act." The New York State Unified Court System's management is responsible for maintaining internal controls. Our responsibility is to express an opinion on whether internal control is adequate to meet such criteria based on our examination. The significant objectives and relevant controls supporting management's assertion are in the accompanying Appendix A.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and Government Auditing Standards, issued by the Comptroller General of the United States and, accordingly, included obtaining an understanding of internal control over accounting and administrative operations, testing, and examining the design and operating effectiveness of the internal controls, and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination did not constitute an audit of any financial statement prepared by the New York State Unified Court System, nor did it constitute an economy and efficiency or program audit described by the Government Auditing Standards.

Because of inherent limitations in any internal control, misstatements due to errors or fraud may occur and not be detected. Also, projections of any evaluation of the internal control over administrative operations to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

We understand that the New York State Unified Court System considers the controls referred to in the first paragraph of this report adequate to meet the criteria for maintaining internal control as established by the "New York State Governmental Accountability, Audit and Internal Control Act." In our opinion, based on this understanding and on our examination, the New York State Unified Court System's internal controls maintained during the period April 1, 2007 through March 31, 2008, are adequate, in all material respects to meet the criteria established by the "New York State Governmental Accountability, Audit and Internal Control Act," based upon such criteria.

This report is intended for the information of the New York State Unified Court System and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Toski, Schaefer & Co. P.C.*

Williamsville, New York  
October 29, 2010

NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

FISCAL OPERATIONS

Significant Objectives

Relevant Controls

Administrative Support

Reference materials, detailing various fiscal procedures, are updated on an ongoing basis and are available to the appropriate staff levels to provide necessary guidance.

- All reference material, including Budget Bulletins and Accounting Procedures, on the Unified Court System (UCS) Intranet, is stored in a central location with access limited to those employees requiring the use of such materials.

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Budget and Financial Planning

Budgets are complete and accurate, providing reasonable estimates of the Unified Court System's annual financial requirements and are developed in a uniform, equitable and realistic manner. These budgets should express the program objectives along with the plans for meeting these objectives.

- Preliminary budget requests and amendments are prepared by Courts and Agencies, along with various documentation in support of their budget proposal. Prior to submitting these budget requests (as amended) for review, the Courts and Agencies must complete all required components.
- The District Offices perform analytics by program comparing current period fiscal requests to historical fiscal information while considering recent initiatives of the UCS.
- Preliminary budget requests and amendments are reviewed at the District level by the Trial Court "Review Agencies" with subsequent budget hearings held at the Court level.
- Division of Financial Management prepares the annual resource comparison report in order to evaluate the distribution of and need for additional Court resources.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

FISCAL OPERATIONS, Continued

Significant Objectives

Relevant Controls

Monitoring of Expenditures

Expenditures are monitored on a regular basis throughout the year to ensure that expenditures are appropriate and within budget.

- Budget Management Plans (BMP's) are submitted quarterly to the Division of Financial Management from the district on a program basis with detailed analysis of significant variations and anticipated corrective actions.
- The District Offices and Courts monitor cumulative non-personal service expenditures in the current fiscal year by Court, by cost center and by object.
- Monitoring reports are prepared by the District Offices and submitted to lower Courts periodically with instructions to verify information and/or explain variances.
- Personal service reports are distributed by the Division of Financial Management after each pay period and are reviewed by the District Offices on behalf of the Courts they administer.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

FISCAL OPERATIONS, Continued

Significant Objectives

Relevant Controls

Purchasing

Proper segregation of duties exists at the Court/Agency level.

- Different individuals perform the following tasks:
  - Obtain quotes and bids
  - Prepare purchase orders
  - Receive and verify merchandise
  - Approval of vouchers
  - Authorized signatory on disbursements

Purchase orders are authorized and recorded accurately, completely and timely.

- All purchase orders are assigned a number at the Court/Agency level and are entered into a log to maintain sequence. The coding on the logs are specific to the Courts so as to avoid duplication of P.O. numbers by multiple Courts. The P.O.'s are sent to the District Offices and the central purchasing/ administrative offices to ensure appropriate authorizations have been received prior to remittance to the Office of the State Comptroller (OSC). The P.O.'s are then sent to OSC, where they are reviewed to ensure compliance with the various statutory regulations and purchasing guidelines, and entered into the OSC encumbrance/payment system.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

FISCAL OPERATIONS, Continued

Significant Objectives

Relevant Controls

Receiving Function

All goods indicated on the packing slip have in fact been received and match what was ordered per the purchase order.

- All goods received are compared to a copy of the packing slip and purchase order on file.
- Individuals responsible for receiving the goods sign receiving documentation, noting that the goods were actually received.

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Vouchers Payable

All vouchers payable are for items actually received, are recorded accurately and are approved.

- Purchase order, packing slip and invoice are matched. Voucher request is prepared and approved.

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Revenue - Cash Receipts and Processing

Segregation of duties is maintained over cash receipts and processing.

- The following duties in the revenue process are segregated in accordance with the Financial Planning and Control Manual Part IV, Chapter 3.020:
  - Collection of monies
  - Preparation of daily deposit ticket
  - Daily deposit of funds
  - Preparation of monthly bank reconciliation
  - Preparation of Form 909 (Report of Monies Received) and Revenue Distribution Reports
  - Preparation of wire transfer or check disbursement to OSC
- Serially press-numbered or computer generated receipts are issued for all cash received, and accounted for either on the cash register or separate one-write journals. Periodically, the receipts are reconciled to the cash register records or journals.

NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

FISCAL OPERATIONS, Continued

| <u>Significant Objectives</u>   | <u>Relevant Controls</u>   |
|---|--|
| Only approved banks are utilized by UCS locations.  | <ul style="list-style-type: none"><li>• All bank accounts in UCS custody must be approved by the Director of the Division of Financial Management, and the OSC, prior to establishment of the account. Bail or trust/custodial accounts are segregated.</li></ul>  |
| All Court economic activity (cash inflows and outflows) is properly accounted for and authorized. | <ul style="list-style-type: none"><li>• Courts maintain separate cash receipts and disbursements ledgers, or automated cashiering system, for Court activity. These records are reconciled to the monthly bank statements.</li><li>• All subsequent disbursements of cash receipts are made by check or wire transfer, and are authorized by a formally designated official.</li><li>• Facsimile signature or rubber stamps are not used in the authorization process.</li><li>• Recap of Wire Transfer Revenue Reports and Monthly Revenue Transfer Reports are reviewed monthly and agreed to cash receipts records.</li><li>• District Offices receive and compare Reports of Monies Received to Revenue Distribution Reports which are generated from cash register records or journals to ensure activity agrees.</li></ul> |
| Incidents of actual or suspected loss are reported and investigated.                              | <ul style="list-style-type: none"><li>• All actual or suspected losses are reported to the Division of Financial Management, which reviews cases for trends.</li></ul>   |
| Custodial funds are properly maintained and accounted for.  | <ul style="list-style-type: none"><li>• Annual Bail/Trust Reconciliation process is performed.</li></ul>   |

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

HUMAN RESOURCES

Significant Objectives

Relevant Controls

Timing and Accrual Records

Employees time and benefit accruals are recorded properly and accurately in order to ensure that each employee receives the proper salary and benefits.

- All employee time and leave sheets are reviewed and signed by a supervisor.
- All employee leave accruals are reviewed by supervisors at the end of each payroll period, and adjustment notifications are communicated to the employee, where applicable.

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Staffing

Ensure that employees are properly placed in the organization in order to minimize the risk of over or under staffing in various departments.

- Anticipated staffing requirements are included in preliminary budget requests and are subject to the budget preparation process.
- Court activity levels are monitored and staffing level requirements are identified.
- Personal service expense classifications are monitored at the District level by reviewing the personal service cost summaries prepared by the Division of Financial Management.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS  
GENERAL COURT OPERATIONS

Significant Objectives

Relevant Controls

Computer Operations Maintenance

Automated records are secured in a complete and timely manner.

- Computer information is backed up to a diskette or tape on a daily basis. These diskettes are secured based on the Court's discretion.

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Computer Operations Security

Only authorized users can gain access to automated records and information maintained on computer.

- Relatively complex passwords are installed on networks and case management files.
- Passwords are not to be written down and kept in the general vicinity of the computer.
- Directions for access to automated files are not displayed near or on the computer.

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Court Records Security

Only authorized individuals may gain access to Court records.

- Court records are physically secured in a manner left to the Court's discretion, with access limited to appropriate individuals.

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Record Retention

Records are retained for the required period of time, in compliance with State laws and regulations and are not disposed of without appropriate authorization.

- The "Records Retention" manual is available at the Court for reference.
- A limited number of individuals are responsible for monitoring the status of records currently in retention.
- Appropriate authorization must be obtained from the Office of Records Management prior to the destruction of any record.

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Internal Control Assessment

Operational Internal Control Self-Assessment worksheets are completed bi-annually for each Court/Agency.

- Appropriate official has completed and submitted the assessment worksheets to the Office of Court Administration based on an established schedule.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

CASE MANAGEMENT

Significant Objectives

Relevant Controls

File Maintenance and Structure

All necessary information is maintained on file at the Courts, in an orderly manner, where authorized personnel can access it.

- A limited number of employees are responsible for maintaining and monitoring the content of all files at the Court.
- Files are maintained in an orderly manner, per the method established by each Court.

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Case Initiation

All cases are appropriately scheduled on the Court calendar to ensure timely disposition.

- All cases are assigned a unique docket number and scheduled for the first available calendar date or the legally mandated return date. Cases are scheduled such that standards and goals are met. These standards and goals are monitored at the District Office and Court level. Statistics are monitored at the Court location.

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Case Processing

All required information is documented and updated for each case, as appropriate, in an accurate and timely manner.

- Caseload activity is reported periodically on case activity reports by each Court. Caseload activity is inputted into the caseload reporting system utilized by the Court or reports are submitted to the District for input.

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Caseload Monitoring

Caseload activity is monitored on a regular basis.

- Caseload activity reports are reviewed at the District Office level to monitor standards and goals, and identify any variations in caseload activity as compared to prior years.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

COMMISSIONERS OF JURORS

Significant Objectives

Relevant Controls

Jury File Maintenance

Updated listings of prospective jurors are kept on file.

- A limited number of individuals are responsible for maintaining a representative list of prospective jurors on hand in each Court.

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NEW YORK STATE UNIFIED COURT SYSTEM  
SIGNIFICANT OBJECTIVES AND INTERNAL ACCOUNTING  
AND ADMINISTRATIVE CONTROLS

INVENTORY CONTROL

Significant Objectives

Relevant Controls

Controls Over Equipment

To safeguard the Unified Court System's assets against loss or misuse, and to ensure that the assets are utilized in the most effective manner possible.

- All equipment must be identified by a unique serial number affixed to each item.
- Inventory control records must be maintained for each item of equipment identified by a unique serial number.
- Periodic physical inventories should be conducted.

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