

**NEW YORK STATE UNIFIED COURT SYSTEM
INTERNAL CONTROL MEMORANDUM
FOR THE PERIOD APRIL 1, 2016 THROUGH MARCH 31, 2017**

Date: March 9, 2018

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We conducted an examination of the New York State Unified Court System’s (UCS) internal controls maintained during the period April 1, 2016 through March 31, 2017 to determine if UCS was in compliance with the “New York State Governmental Accountability, Audit and Internal Control Act.” Our work included site visits and communications with the following District Offices and court systems:

- District 2 – District Office and Kings Lower Criminal Court
- District 3 – District Office and Sullivan Supreme and County Court
- District 5 – District Office and Oswego City Court

We also reviewed the risk assessment summary that was prepared by the UCS Internal Control Office and considered the identified weaknesses during our risk assessment process. Our audit procedures included inquiry and internal control testing in the following process areas:

- Budgeting
- Case Management
- Cash Receipts
- Control Environment
- Information Security
- Inventory of Fixed Assets
- Payroll and Personnel
- Purchasing and Payables

Specific testing was done based on the internal control structure at each court that we selected. Data analysis procedures were conducted on all fiscal year March 31, 2017 cash receipt transactions for the two revenue courts that we selected; Kings Lower Criminal Court and Oswego City Court. Our procedures did not identify any unusual or improper transactions. We were able to obtain explanations for all anomalies. Based on our examination, the following improvements may result in a stronger internal control system if implemented by UCS:

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General Comment

1. Court Records

Most court records are not kept in fireproof cabinets or scanned into an electronic database. Specifically, we noted the following:

- The Kings Lower Criminal Court stores the case files in non-fireproof cabinets.
- The Sullivan County Court stores the criminal case files in non-fireproof file cabinets. The Sullivan County Clerk stores all civil case files in non-fireproof cabinets but also has transitioned to electronic copies for cases originating within the past few years.
- The Oswego City Court stores the civil and criminal case files in non-fireproof file cabinets but has plans to begin scanning current case files in 2018.

Recommendation

We encourage all Districts to continue the effort to move toward electronic records. This option should be considered not only for case files but for other critical areas such as personnel files. It will add efficiency, save on storage space and reduce overall costs.

Management Response

District 2 - Kings Lower Criminal Court Response: During 2016 and 2017 the Criminal Court scanned nearly 50,000 finished cases into the Crims-Tools electronic database. The court will continue utilizing Crims-Tools to secure records that qualify for this procedure and will also explore fireproof storage purchasing options for its inventory of paper court records.

District 3 – Sullivan Supreme and County Court Response: The District continues to undertake record management projects to digitize records as budgetary provisions allow and to move toward electronic filing. In addition, the District will consider replacing non-fire proof file cabinets with fire-proof cabinets. The District notes, however, it does not control how the Office of the Sullivan County Clerk stores its records.

District 5 - Oswego City Court Response: Oswego City Court began scanning all files on January 1, 2018 and will endeavor to continue to digitize court records.

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District 2 Findings: Kings Lower Criminal Court - Brooklyn, New York

2. Bank Reconciliations

The Deputy Head Cashier prepares the bank reconciliations and the Citywide Cashier prepares an independent reconciliation. The Deputy Head Cashier also has many other responsibilities in regard to the cash collection process. We noted that there is no sign-off and date on the bank reconciliation to document the preparation and review procedures.

Recommendation

In order to document the control procedures properly, each bank reconciliation should be signed off by the Deputy Head Cashier as preparer and by the Citywide Cashier as reviewer when he completes his reconciliation and review.

Management Response

While the Deputy Head Cashier does reconcile his account before sending it to the Citywide cashier or Head cashier, there is no requirement under the Financial Planning Manual that he do so. The Citywide Cashier prepares a bank reconciliation without first reviewing the Deputy Head Cashier's reconciliation, using only the list of checks drawn, credit card log and bounced check information given by the Deputy Head Cashier. In all instances, the citywide cashier completes an independent bank reconciliation which is consistent with the required segregation of duties, as this process is independent of the daily collections and disbursements. Any reconciliation by the Deputy Head Cashier is done unofficially to satisfy himself that he has processed the funds correctly and should not be considered official.

3. Cash Collection and SAMS Software System

The Kings Lower Criminal Court utilizes the Summons Automation Management System (SAMS) to track amounts due and cash collections. SAMS displays a balance on the primary screen which does not include additional surcharges. Therefore, the balance displayed on the initial screen is not a true depiction of the total balance due from the defendant. This makes it inefficient for the Cashiers as they have to toggle between two different display screens to get the true total that is due.

Recommendation

The SAMS program should be modified to aggregate all surcharges into the total balance due. This will reduce the risk of operator error and will increase efficiency within the Cashiers Office.

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Management Response

The Criminal Court concurs in the recommendation that the SAMS program should be modified to aggregate all surcharges and fees into the total balance due and has requested that modification.

4. Timesheet Approvals

We selected 10 employees and reviewed the Kronos time entry system to determine if the employees and their respective managers approved the time entry transactions for selected payrolls. All manager and administrative approvals were in place, but 8 of the 10 employees selected had not signed off to certify that their time was correct.

Recommendation

The managers need to stress the importance of employee sign-offs within Kronos and hold off on approving the time until the employee certifies that it is correct.

Management Response

The Criminal Court has recently increased the number of Kronos Managers and has reminded employees of the need for employees to sign-off on their respective timecards.

5. Inventory of Fixed Assets

The Kings Court system maintains two fixed asset databases: one for furniture and equipment and one for technology equipment. There are separate process owners in charge of each fixed asset inventory. Our audit procedures identified the following issues:

- A. **Furniture and Equipment** - There is a process to issue tags and track the inventory that flows through a Central Services Center (CSC) in Long Island City. However, this only tracks assets that are purchased through this location. Some assets may be purchased through another means and by-pass the tagging and tracking process. We obtained the furniture and equipment (non-technology items) inventory which is maintained by CSC on a Lotus Approach database. We observed 14 fixed assets at various offices then tried to agree the tag numbers to the list provided by CSC. Only 4 of the 14 items were on the list. It is our understanding that the individual who served as the process owner for many years has just retired so this area of responsibility is in a transitional period.

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- B. **Technology Equipment** - Most computers and monitors are purchased from Dell and the supplier attaches a fixed asset tracking tag before the item is shipped to Kings. Per review of the technology inventory list, we noted that a significant number of items do not have a tag number noted. We observed 9 technology fixed assets at various offices then tried to agree the tag numbers to the list provided by the Technology Department. Only 1 of the 9 items was on the list. We determined that the technology inventory does not currently have a process owner and a full inventory has not been taken since 2015.

Recommendation

The Kings Court system should identify capable process owners for both inventory groups and review the current process for tagging assets. The court should also conduct a full fixed asset inventory to make sure all significant furnishings, office equipment assets and technology assets have been tagged and accounted for within the software systems. The court should consider utilizing scanning technology and a web based software system to track the assets. Once a full inventory is taken, the court may want to stratify the inventory items based on value and risk of loss then conduct periodic test counts of the items based on the stratified data.

Management Response

Since 1983 the Central Services Unit (previously Records and Supply Department) has purchased and distributed furniture and equipment in use in the New York City Criminal Court including Kings Criminal Court. All items are recorded in the Central Services inventory database, apart from furniture or equipment provided by the New York City Department of Citywide Administrative Services or large-scale renovation projects conducted by OCA. Inventory control for technology-related items was recently transferred to the OCA Division of Technology, except where the equipment was purchased by the court. The Criminal Court's inventory procedures require that items cannot be delivered to a courthouse without being tagged, signed for and recorded; the procedures also include controls for items removed for repair and movement within a location. Items may not be moved between court facilities. In October 2017, a new managerial structure was introduced for the court's technology department. Under the new structure, the following tasks were performed:

- An entire building computer equipment inventory of CPUs, monitors, printers, digital senders, and fax machines' serial numbers (scanned via a barcode reader) and location information was gathered.

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- The information gathered electronically was imported into the CICS Filmmaker database system, as recommended by the OCA Division of Technology. Tag numbers are tracked in the database which has been assigned to the Network Systems/Engineer II as the process owner.
- An inventory control form was created and is in use, providing a paper trail of computer equipment rollouts prior to updating the inventory database.
- Salvage pick-ups of obsolete and broken equipment are coordinated with E-Waste.
- Two storage rooms have been secured to store new boxed computer equipment delivered to this site.
- A top-down building inventory will be performed annually.
- Absent identification of the audited items, the court is unable to explain their absence from the inventory list.

6. Software User Access Levels

The Kings Court system could benefit from a more formalized process to initiate changes to user software access levels. There is currently no set process to handle revisions when employees move from one position to another. Failure to make the updates can cause segregation of duty issues and increase the risk that an employee will be able to circumvent the system.

Recommendation

The court system should develop a process to review all software permissions for new employees, employee transfers and employee terminations. The employee permission levels should also be tested on a periodic basis to make sure they are in line with employee responsibilities.

Management Response

The Criminal Court already has an established procedure for evaluating and approving access to critical applications and software for new employees. In conjunction with the OCA Security Administration Unit, all applications for new employees are approved by the Chief Clerk or the First Deputy Chief Clerk. When employees leave the Court for any reason, an exit interview is conducted, a process which includes notifications and terminations of software application access. The Criminal Court will also create a process that (1) prompts managers to review access to applications upon change in title for any employee who continues to serve in the Criminal Court and (2) ensures that all supervisors review access levels.

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District 3 Findings: Sullivan Supreme and County Court - Monticello, New York

7. Cash Disbursement Documentation

During our audit, we examined 20 disbursement transactions and noted that in one instance, a bill from a court reporter was paid from a voucher with attached corresponding emails. Supporting court documents were not included.

Recommendation

The District Office should ensure that the proper court documents are attached to court reporter bills to demonstrate all of the proper approvals.

Management Response

An email was attached to court reporter's claim for payment (voucher), explaining that the transcript was requested by Administrative Judge Thomas Breslin to resolve a serious complaint that had been sent to the District. In the future, the District will issue a formal order directing the production of the transcript. Otherwise, the District complies with recommended procedures for invoice approval.

District 5 Findings: Oswego City Court - Oswego, New York

8. Bank Reconciliations

The Chief Clerk prepares the bank reconciliations and then they are sent to the District Office. We noted that there is no sign-off and date on the bank reconciliation to document the preparation and review procedures.

Recommendation

In order to document the control procedures properly, each bank reconciliation should be signed off by the Chief Clerk as preparer and by the individual at the District Office who completes the review.

Management Response

We will advise Oswego City Court and all other courts to implement this recommendation.

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9. Cash Disbursement Documentation

During our audit, we examined 15 disbursement transactions and noted that in seven instances, there was no evidence of approval at the City Court level.

Recommendation

The District Office should standardize the procedures for invoice approval and require the courts to comply and implement a consistent process.

Management Response

Current cash disbursement procedures require that all Courts utilize a receiving copy of the purchase order to document and verify that the items on a purchase order were received in good condition and inspected. This receiving copy is signed and dated by the employee that physically received and inspected the items. Further, after purchased items are received, a payment voucher is processed by the Court. The voucher must be signed by the Chief Clerk or Deputy Chief Clerk approving and verifying a payment be processed to the vendor. This procedure is in effect in all Courts in the Fifth Judicial District.

10. Annual Employee Evaluations

The Chief Clerk has four CSEA union employees who are paid within certain grade schedules. She did not prepare employee evaluations for these four employees during the March 31, 2017 fiscal year.

Recommendation

The Chief Clerk should strive to conduct annual employee evaluations. This will provide the opportunity to give the employees feedback on their performance and to set goals for the upcoming year.

Management Response

All Courts are advised by the Human Resource Department in the District Office when employee evaluations are due. Oswego City Court will ensure that annual performance evaluations are performed timely.