

New York State Unified Court System
Internal Control Memo
For the Period April 1, 2013 through March 31, 2014

Date: October 20, 2014

To: George Danyluk, Internal Control Officer - OCA Internal Audit
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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, 2013 through March 31, 2014 to determine if UCS was in compliance with the "New York State Governmental Accountability, Audit and Internal Control Act." Our work included site visits to the following District Offices and court systems:

- District 4 – District Office, Saratoga Springs City Court and Family Court
- District 6 – District Office and Binghamton City Court
- District 8 – District Office and Batavia City Court

We also examined internal audit reports that were completed for court systems within several other Districts. Based on our examination, the following improvements would result in a stronger internal control system if implemented by UCS.

General Comments

1. COSO Integrated Framework

There is a new COSO Framework that becomes effective on December 15, 2014. It includes seventeen principles and various points of focus that should be considered in designing an effective system of internal control.

Recommendation

The UCS should review this framework and evaluate whether it should be incorporated into the "NYS UCS Internal Control Guide".

Management Response

The Internal Control Office will review the COSO framework and consider incorporating into the NYS UCS Internal Control Guide.

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2. Court Records

Most court records are not kept in fireproof cabinets or scanned into an electronic database. However, we did note that some court systems have gone to paperless court records such as the Saratoga Family Court.

Recommendation

We encourage all Districts to continue the effort to move toward electronic records. It will add efficiency, save on storage space and reduce overall costs.

Management Response

The Office of Records Management has collaborated with the courts in the implementation of initiatives involving document scanning. An Electronic Records Policy has been established by the Office of Records Management which governs the accessibility, retention, preservation and disposition of digitalized court records based on evolving technology. The Office of Records Management agrees with the findings and recommendations and will continue to move in this direction as appropriate.

3. Approval of Expenditures for Court Appointed Attorneys

There have been instances of attorneys who have been appointed within the Family Court system being overpaid based vouchers that were intentionally or inadvertently overstated. The vouchers are typically entered into the “Attorney for Children Internet Voucher System” and approved by the Family Court Judge and the attorney. The actual payments flow through the Appellate Court System. The NYS UCS Internal Audit Department has been investigating this situation and has been successful in recovering some of the funds.

Recommendation

We encourage the NYS UCS Internal Audit Department to continue their audit work in regard to amounts paid to court appointed attorneys. The control system surrounding these particular expenditures should continue to be monitored to ensure that a detailed review of the requested disbursement and dual approval continues to occur.

Management Response

Since Internal Audit began auditing these vouchers approximately three years ago, controls have been strengthened in the Third and Fourth Appellate Divisions. The Attorney for Children Internet Voucher System now requires real-time reporting by attorneys, restricting an attorney’s ability to double bill. As a result of the audits and improved controls, annual expenditures have been reduced in the Third and Fourth Appellate Divisions by a total of \$7.5 million.

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District 4 Findings: City Court Saratoga Springs, New York

4. Data Center Physical Security

It was noted that the server room at the Fourth District Administrative Office is not kept locked. There was evidence that someone other than technology personnel were using the room to store items. Unauthorized access could result in damage to the equipment within the room.

Recommendation

The District should consider installing a cipher lock or an alternative to better secure the area.

Management Response

A lock has been placed on the door to server closet which is located within the Fourth District's Administrative Office.

5. Inventory of Fixed Assets

The District utilizes two staff members to conduct a full physical inventory of fixed assets each year. The process represents an excellent internal control but it may not be practical considering the staff reductions that the court system has endured over the past few years.

Recommendation

The District should work with OCA to consider increasing the \$100 capitalization threshold to reduce the number of items that need to be counted each year. Or alternatively, the District could only require a complete count of items over a higher dollar threshold and spot count the lower dollar items. The District should also consider converting to a technology that would allow the inventory to be accounted for via handheld scanners. This may speed up the physical inventory process.

Management Response

The Fourth District's inventory procedures are carried out in conformity with the District's written policy manual. We are pleased to learn that the District was found to provide excellent controls.

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District 6 Findings: City Court Binghamton, New York

6. Employee Entry and Exit Checklist

The District refers to checklists to manage the necessary steps for incoming and exiting employees but the checklists are not completed specifically for each individual.

Recommendation

The District should consider utilizing checklists for each individual that cover the key steps within human resources, payroll, technology and building security.

Management Response

Prior to July 2014, the then District Executive, Chief of Security and Principal LAN Coordinator were working on just such a project. They all either retired or were transferred to new positions the first week of July. A checklist has been used by Human Resources for years, which includes HR and payroll matters. The goal of the project was to integrate security and technology concerns into the entry/exit checklists. We have not had check lists for the other departments except to the extent the matters overlapped with HR concerns. Now that we have been reminded of the importance of this topic, the project will be resumed and refined.

Our goal will be to create a single checklist which includes entry information and action for all employees. The same list, covering many of the same matters will then be used as an exit tool to insure that all aspects of an employee's separation from service are dealt with. This will include termination of email privileges, computer and building access, ID Card retrieval and all other matters associated with an employee's departure from service in the New York State Unified Court System.

7. Data Center Environmental Controls

The Associate LAN Administrator for the Sixth District informed us that the power generator failed the last time that it was needed.

Recommendation

We encourage the District to continue their efforts to resolve this issue so that the data center will have the ability to operate in the event of a power failure. Weekly scheduled load tests should be conducted on the generators to ensure they are in working order in the event of an emergency.

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Management Response

Several alternative solutions to the problem of the failure of the generator were addressed. The final solution was the purchase of a remote warning system that will alert designated Operations Team members that the generator is off-line. These warnings, sent electronically to their cell phones, will advise staffers that immediate restoration of the generator's function is essential. Existing battery backup will maintain viability until the generator can be re-initialized. The immediate notification of the problem will eliminate the possibility that the servers will fail. The system will require a minimal yearly subscription cost which includes a parts and maintenance guarantee. Furthermore, recent changes to the server alignment have altered the significance of this situation. Our server needs will now be met by direct transmittal to servers in Albany and New York City. Our server will still be maintained, but only for minimal, local use.

8. Physical Inventory of Fixed Assets

The Office of Court Administration requires an annual physical inventory of fixed assets but the Sixth District has not completed an inventory in the past several years. As part of the audit procedures we tried to locate seven furniture and non-technology assets at Binghamton City Court. We were only able to locate five of the seven.

Recommendation

The Sixth District should take the necessary steps to complete a physical inventory of the fixed assets within the District. In order to streamline the process, the District should work with OCA to consider increasing the capitalization threshold to reduce the number of items that need to be counted each year. Or alternatively, the District could only require a complete count of items over a higher dollar threshold and spot count the lower dollar items.

Management Response

Clearly, an adequate inventory must be maintained. The District Executive explained that the District Office has not had the personnel to maintain appropriate coverage for this task. Prioritization resulted in this task being relegated to a lesser status. However, this will be addressed. The suggestion that a value threshold be established is a good one.

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District 8 Findings: City Court Batavia, New York

9. Employee Exit Checklist

The District utilizes a new hire checklist but does not have a checklist in place to cover employees who are ending employment.

Recommendation

The District should consider utilizing an exit checklist that covers the key steps within human resources, payroll, technology and building security.

Management Response

The District Executive responded that they currently have an informal system in place, but due to these findings, our Human Resource Department will create an official checklist to be reviewed each time an employee terminates employment or transfers out of the District. The checklist will include important topics such as payroll, technology (email & passwords) and building security (keys & swipe card access).

10. Technology Wiring Hub

Batavia City Court has a wiring hub located in a storage room near the Chief Clerk's office. We noted that the equipment and wires are not caged off which makes them susceptible to damage or sabotage.

Recommendation

The District should review the situation and take the necessary steps to secure the area and protect the equipment from inadvertent or intentional damage.

Management Response

The District Executive responded that they will review the location and work closely with the buildings maintenance department to move and/or secure the area in an effort to protect us from inadvertent or intentional damage.

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11. Physical Inventory of Fixed Assets

The Office of Court Administration requires an annual physical inventory of fixed assets, but the Batavia City Court has not completed one in the past several years.

Recommendation

The Eighth District should take the necessary steps to complete a physical inventory of the fixed assets within the District. In order to streamline the process, the District should work with OCA to consider increasing the capitalization threshold to reduce the number of items that need to be counted each year. Or alternatively, the District could only require a complete count of items over a higher dollar threshold and spot count the lower dollar items.

Management Response

The District Office agrees with the recommendation. In fact, we have had meetings over the past couple of months in preparation of moving forward with a physical inventory in each of our courthouses.

Our last inventory included identifying each piece of furniture & equipment and affixing an asset tag number. Then each asset number was entered into a database we had created using FileMaker, separated by location (Operational Unit). At this time there was a statewide committee working on an automated inventory system that would allow us to scan each of the asset tags for future inventories. Apparently this committee was abolished leaving us with no automated system to work with. As a result, we decided to work on our own system. It has been a work in progress, but we now feel that we have a system in place that will allow us to complete a physical inventory by the end of this fiscal year.