



Village of Alfred

Controls Over Parking Tickets

Report of Examination

Period Covered:

January 1, 2009 — June 11, 2010

2010M-156



Thomas P. DiNapoli

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State of New York Office of the State Comptroller

Division of Local Government and School Accountability

February 2011

Dear Village Officials:

A top priority of the Office of the State Comptroller is to help local government officials manage government resources efficiently and effectively and, by so doing, provide accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of local governments statewide, as well as compliance with relevant statutes and observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations and Village governance. Audits also can identify strategies to reduce costs and to strengthen controls intended to safeguard local government assets.

Following is a report of our audit of the Village of Alfred, entitled Controls Over Parking Tickets. This audit was conducted pursuant to Article V, Section 1 of the State Constitution and the State Comptroller's authority as set forth in Article 3 of the General Municipal Law.

This audit's results and recommendations are resources for local government officials to use in effectively managing operations and in meeting the expectations of their constituents. If you have questions about this report, please feel free to contact the local regional office for your county, as listed at the end of this report.

Respectfully submitted,

*Office of the State Comptroller
Division of Local Government
and School Accountability*

Introduction

Background

The Village of Alfred (Village) is located in the Town of Alfred in Allegany County and has a population of approximately 3,900. The Village's 2009-10 budgeted appropriations for the general fund totaled approximately \$1.2 million. The Village provides various services to its residents including police and fire protection, street maintenance and snowplowing, water, sewer, electric, trash collection and general government support. Village operations are financed primarily by real property taxes, user charges, and State aid.

The elected Mayor and Board of Trustees (Board), along with the Clerk-Treasurer and Village Justices, are responsible for establishing proper internal controls that effectively safeguard cash assets. The Village Justice Court (Court) is administered by a Justice and an Acting Justice (Justices). The Justices are responsible for the collection, processing, recording and reporting of all parking violation fines. In addition to the Justices, the Village also employs a part-time Court Clerk (Clerk) to assist the Justices in the Court's operations. The Court handled approximately 1,300 vehicle and traffic, civil and criminal cases and collected approximately \$145,000 in fines, fees, and surcharges, including over \$19,000 in parking fines, during the 2009 calendar year.

The Village Police Department is responsible for enforcing local ordinances and vehicle and traffic laws within the Village limits, including parking violations. For the 2009 calendar year, Village Police Officers (Officers) issued approximately 800 parking tickets. The Officers remit a copy of each issued parking ticket to the Police Department. The Clerk is responsible for obtaining the Court's copy from the Police Department. The Court is responsible for maintaining files of all issued parking tickets, processing them when they are paid or protested, and recording the dispositions.

The New York State Department of Motor Vehicles (DMV) has a parking ticket scofflaw program. Local governments participating in the scofflaw program can notify the DMV when a vehicle registrant has three or more unresolved parking tickets in an 18-month period. When this occurs the DMV denies the vehicle registration renewal until the violator appropriately addresses the outstanding tickets.

Objective

The objective of our audit was to review the Village's parking ticket operations. Our audit addressed the following related question:

- Are the internal controls over the collection, recording, and reporting of Village parking tickets appropriately designed and operating effectively?

**Scope and
Methodology**

During this audit, we reviewed the Village’s parking ticket operations from January 1, 2009 to June 11, 2010. We reviewed tickets issued, recorded, and reported as well as cash collection and depositing practices.

We conducted our audit in accordance with generally accepted government auditing standards (GAGAS). More information on such standards and the methodology used in performing this audit are included in Appendix B of this report.

**Comments of
Local Officials and
Corrective Action**

The results of our audit and recommendations have been discussed with Village officials and their comments, which appear in Appendix A, have been considered in preparing this report. Village officials generally agreed with our recommendations and indicated they either have taken or plan to initiate corrective action.

The Board has the responsibility to initiate corrective action. A written corrective action plan (CAP) that addresses the findings and recommendations in this report should be prepared and forwarded to our office within 90 days, pursuant to Section 35 of the General Municipal Law. For more information on preparing and filing your CAP, please refer to our brochure, *Responding to an OSC Audit Report*, which you received with the draft audit report. We encourage the Board to make this plan available for public review in the Clerk-Treasurer’s office.

Controls Over Parking Tickets

Parking ticket fines can be a substantial revenue source for Village operations. The Board should adopt policies regarding the control, collection, reconciliation, and enforcement of parking tickets. It is the responsibility of the Police Chief and Justices to implement Board policy and establish procedures to ensure that internal controls are in place and working effectively. These internal controls, among other things, should address the segregation of incompatible duties; controls over unissued ticket inventory; the process for recording issued tickets; the process for collecting, accounting for and reporting the receipt of fines; and the reconciliation of issued and unissued parking tickets from the Police department with the outstanding and paid tickets from the Court. The Justice must also ensure that unpaid tickets are properly enforced.

The Board has not adopted policies and procedures for parking ticket operations. We identified weaknesses in the controls over the collection, deposit, reconciliation, and enforcement of parking ticket fines. The Village does not participate in the DMV's program for scoffing unpaid violations. By participating in the DMV's scofflaw program, we determined that the Village has a potential for increasing parking fine revenues by more than \$11,000.

Segregation of Duties

A key component of an effective system of internal controls is the segregation of incompatible duties. A proper segregation of duties ensures that no one person controls, or has the ability to control, all phases of a transaction. Concentrating key duties with one individual (i.e., accounting records maintenance, cash custody and reconciliations), with little or no oversight, weakens internal controls and significantly increases the risk that errors or irregularities could occur and remain undetected. While we recognize complete segregation of duties in smaller operations is sometimes unobtainable, at a minimum, incompatible cash collection functions, such as collecting, recording, and reporting, should be divided amongst court staff.

Village officials have not adequately addressed the segregation of incompatible duties within the Court.¹ Currently, the Clerk is responsible for virtually all aspects of parking ticket activity including receiving, recording, preparing for deposit, and reporting

¹ A similar finding was included in an audit conducted by our office in 2006.

all cash collection activity. In addition, the Clerk is responsible for maintaining the Court's accounting records, reconciling bank statements and completing required monthly reports to the Office of the State Comptroller (OSC) Justice Court Fund (JCF) with little or no oversight.

The Justice has begun to mitigate control deficiencies by reviewing items for deposit and reviewing bank reconciliations prepared by the Clerk. These functions alone do not adequately address the weaknesses associated with the initial collection and recording of parking ticket fines.

Control and Recording

The Village has no written procedures for controlling the inventory of unissued parking ticket books, the collecting and recording of fines, or the periodic reconciling of tickets issued by the Officers to Court records.

Ticket Books — The Police Chief orders the parking ticket books and keeps them in the Police Department storage locker until needed. The Chief orders a new number series each year so he can quickly identify which year the tickets were issued. He does not require Officers to sign out the books because the ticket books are not assigned a specific Officer. Instead, multiple books are in use at any one time: one in each of four Police vehicles and one in the office for the daily walking route use. Issued parking tickets are made out in triplicate with one copy to the vehicle owner, one for the Court and one for Police records. Because ticket books are not specifically assigned to Officers, there is no individual accountability for the ticket books or the individual tickets.

Recording and Reconciliation — When the Clerk is in Village Hall, she collects the issued parking tickets from the Police Department and enters them into the Court's computer system. No one reconciles the tickets issued by the Police Department with the entries in the Court's computer system. Further, the Court does not provide the Police Department with reports accounting for parking ticket activity. The Police Chief shreds his Department's copies of issued parking tickets that are over three years old. Without a reconciliation of tickets, there is an increased risk that issued tickets may not be recorded and reported when payment is made or that unpaid tickets will not be properly enforced.

Collection — The Clerk is the only person who collects² parking ticket fines from a drop box attached to the outside of Village Hall.

² The Village Clerk also has a key to the lock box, but she stated that she does not remove Court fines from it.

She also receives payments through the mail. As noted on the ticket, payment is to be made only by certified check or money order. However, we found that personal checks and cash are accepted as payment of the fines. The Clerk opens the parking ticket payment envelopes and enters the payment information into the Court's computer system. The payment envelopes are filed in the Court. Allowing only one person to collect receipts from the envelopes, especially cash, increases the risk that cash receipts may be misappropriated.

As a result of these internal control weaknesses, we reviewed all of the tickets issued for the six months with the most activity, during the period January 2009 to April 2010. We compared the tickets issued by the Police Department to the tickets in the Court records. These 606 issued tickets, with fines totaling approximately \$10,000, were reviewed to verify the accuracy of the collection, recording, and reporting functions, and we found the following exceptions:

- Seventy-five issued tickets were recorded as paid but did not include required³ late fees totaling \$1,111. The Clerk indicated that in some instances she would accept the payment received and not pursue required late fees. Allowing the Clerk to have the discretion to accept other than full payment, including late fees, increases the risk that full payment may be made but not recorded and deposited, and the late fees could be diverted to other than Village accounts.
- Twenty-six issued tickets with fines totaling \$439 were not recorded in the Court's parking ticket records.⁴ When asked about these tickets, the Clerk produced the original tickets indicating that they were either voided by the Justice or the issuing officer. These tickets did not contain appropriate evidence, such as the signature or initials of the Justice, for Village officials to verify if these tickets were indeed voided by or with the consent of the Justice. Allowing tickets to be dismissed or voided without documentation of the person who authorized it increases the risk that payments may be made and not recorded and deposited.

³ Tickets not paid within 15 days of issuance require an additional fee of \$15. Because ticket payments are not recorded in the system by the Clerk on a daily basis, for testing purposes, we allowed a period of 25 days between issue date and recorded date of collection to determine if a late fee should have been imposed.

⁴ Our analysis was based on a comparison of tickets issued by the Police Department to the "paid" and "unpaid" reports maintained by the Court.

Deposits

Justice Courts are required to deposit all revenues collected intact, and within 72 hours of collection. In addition, accurate accounting records must be maintained that, among other things, detail the type of payment received (cash or check) and the date of receipt and deposit.

We reviewed deposit compositions⁵ obtained from the Court's bank to verify the accuracy of parking ticket collection reports that are prepared by the Clerk. We found that not all records were maintained accurately and that not all revenues received from parking ticket collections were deposited timely or intact or reported to the JCF as required. For example:

- Court records indicate that on June 5, 2009, \$454 was collected, of which \$344 was associated with parking ticket fines. The subsequent deposit, which included these receipts, was not made until July 6, 2009, 31 days after the recorded collection date, not within 72 hours as required. While waiting to be deposited, these funds were kept in the Clerk's desk drawer and not secured in a safe.
- A deposit made on May 1, 2009 totaling \$253 was comprised of 13 checks and money orders, with no cash deposited. However, Court records indicate that \$55 in cash was received. Because the deposit did not appear to have been made intact,⁶ we compared images of these deposited checks and money orders to the receipts per the Court records. We found that the parking ticket numbers, written on six of the checks or money orders by the payers, did not match the tickets recorded in the Court's computer system for this deposit. Further review indicated that the tickets with the numbers written by the payer on the check or money order were recorded as paid in the Court's records for the same day, but with another batch and deposit. When revenues are not deposited intact, there is an increased risk that checks and money orders, not otherwise recorded as received, may be substituted for cash, with the cash being diverted to other than Village accounts.

Enforcement of Unpaid Tickets

The Board has not adopted policies regarding the enforcement of tickets by Court personnel and, as a result, fines are not being collected as efficiently and effectively as possible. Many options are available for collecting unpaid tickets including collection agencies or participation in the New York State Department of Motor Vehicles Scofflaw Program (Scofflaw Program). Currently, the only enforcement procedure taken by the Court is the use of delinquency

⁵ Images of deposited checks

⁶ Intact means in the same amount and form (i.e., cash or check) as originally paid.

notices. The Clerk sends delinquency notices that state failure to pay fines due may result in the scoffing⁷ of the violator’s registration. However, the Village does not participate in the Scofflaw Program for scoffing unpaid violations. When asked why the Court does not participate in this Scofflaw Program, the Clerk indicated that she had recommended it to the former Mayor for consideration, but officials did not want to pay the associated fees. She had not approached the current Board⁸ on the subject.

We reviewed unpaid parking violations on the Court’s system as of May 4, 2010 to determine if participation in the Scofflaw Program would enhance Village revenues after considering the costs involved. Of the \$54,000 in unpaid violations we found the following:

Total Eligible Unpaid Tickets Issued to New York State Drivers:	\$11,764
Less Estimated Fees for Scoffing:	<u>144</u>
Potential Revenue Enhancement	\$11,620 ⁹

By participating in the Scofflaw Program, we determined that the Village could potentially increase parking ticket fine revenues by more than \$11,000.

By not adopting policies and procedures that establish adequate internal controls and enforce the collection of unpaid parking fines, Village officials cannot adequately ensure that revenues received, were recorded and deposited accordingly and they have limited the potential revenue that could be received by participating in the Scofflaw Program.

Recommendations

1. The Police Chief and Village Justice should account for all parking tickets purchased, issued, voided, paid or left unpaid in order to establish accountability.
2. The Board and Court should adopt policies and procedures for the collection of parking tickets that include, among other things, the segregation of incompatible duties.
3. The Justices should ensure that all parking ticket records maintained by the Court are accurate and that all deposits are made intact and within 72 hours of collection.
4. The Board and Court should adopt policies and procedures for the enforcement of unpaid parking violations and consider using the Scofflaw Program to enhance revenues.

⁷ The DMV Parking Ticket Scofflaw Program limits the vehicles owner’s ability to re-register their vehicle until the unpaid violations are adequately addressed.

⁸ Because of potential fees involved with scoffing overdue violations, Board approval must be given before participating.

⁹ Reciprocity agreements with other States may result in a greater number of scoffable unpaids.

APPENDIX A
RESPONSE FROM LOCAL OFFICIALS

The local officials' response to this audit can be found on the following page.

January 13, 2011

Robert E. Meller
Chief Examiner of Local Government and School Accountability
State of New York
Office of the State Comptroller
110 State Street
Albany, NY 12236

Dear Mr. Meller:

This letter is in response to the draft Report of Examination performed by your office regarding the Controls Over Parking Tickets for the period covered January 1, 2009 to June 11, 2010.

The current Village of Alfred Board of Trustees accepts the majority of the comments and recommendations in the draft report. We consider this guidance valuable in our efforts to improve Internal Controls.

We understand the importance of the role of Justice, Police Chief and Village Board in working with the Department of the Court to develop and implement necessary policies and procedures. Many recommendations have already been implemented and the elected and appointed officials will work together to address the remaining recommendations and complete a corrective action plan.

Thank you for your research and the information that will guide us in making improvements to our local government operations.

Respectfully submitted on behalf of the Village of Alfred Board of Trustees,

Sincerely,



Craig Clark,
Mayor

CC/klk

APPENDIX B

AUDIT METHODOLOGY AND STANDARDS

Our overall goal was to assess the adequacy of the internal controls put in place by Village officials to safeguard Village assets. To accomplish this, we performed an initial assessment of the internal controls so that we could design our audit to focus on those areas most at risk. During the initial assessment, we interviewed appropriate Village officials, performed limited tests of transactions and reviewed pertinent documents, such as Village policies and procedures, Board minutes, and financial records and reports.

After reviewing the information gathered during our initial assessment, we determined where weaknesses existed and evaluated those weaknesses for the risk of potential fraud, theft and/or professional misconduct. We then decided upon the reported objective and scope by selecting for audit those areas most at risk. We selected the Court's parking ticket collection activity for further audit testing. Our audit included various procedures to gather relevant evidence concerning our stated objective. To accomplish the objective of this audit, our procedures included the following:

- We interviewed Village personnel to determine current practices and procedures for parking ticket operations.
- We reviewed cash receipt activity reports for each Justice that corresponded with the issued parking tickets that were selected for review.
- We reviewed bank deposit compositions.
- We mailed confirmation letters to violators listed as unpaid to verify the accuracy of unpaid parking ticket reports.

Performance criteria for our examination were based upon certain statutory requirements of Village Law, General Municipal Law (GML) and other guidance and rules prescribed by the Office of the State Comptroller. Most notably, the Handbook for Town and Village Justices and Court Clerks published by the Office of the State Comptroller provides guidance and standards for Justice Court operations recommended for municipalities in the State.

We conducted this performance audit in accordance with generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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Steven J. Hancox, Deputy Comptroller

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