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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
NORFOLK DIVISION OF THE
JUVENILE COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT

JULY 1, 2005 TO SEPTEMBER 30, 2006

OFFICIAL AUDIT
REPORT
MAY 2, 2007

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The Massachusetts Trial Court was created by Chapter 478 of the Acts of 1978, which reorganized the courts into seven Trial Court Departments: the Boston Municipal Court, the District Court, the Housing Court, the Juvenile Court, the Probate and Family Court, the Superior Court, and the Land Court. Chapter 211B of the Massachusetts General Laws authorized the Juvenile Court Department to establish 11 Divisions, each having a specific territorial jurisdiction, to preside over juvenile-related matters that are brought before it. The Division's organizational structure consists of three separately managed offices: the Judge's Lobby, headed by a First Justice; the Clerk-Magistrate's Office, headed by a Clerk Magistrate; and the Probation Office, headed by a Chief Probation Officer. The First Justice is the administrative head of the Division and is responsible for preparing the Division's budget and accounting for its revenues; however, the Clerk-Magistrate and the Chief Probation Officer are responsible for the internal administration of their respective offices.

The Norfolk Division of the Juvenile Court Department (NJC) presides over juvenile-related matters falling within its territorial jurisdiction: the cities and towns of Norfolk County. During the period July 1, 2005 through September 30, 2006, NJC collected revenues totaling \$171,108, which it disbursed to the Commonwealth and those municipalities. In addition to processing monetary assessments on juvenile cases, NJC was the custodian of 72 cash bails amounting to \$30,481 as of September 30, 2006.

NJC operations are funded by appropriations under the control of the Division, the Administrative Office of the Trial Court (AOTC), or Office of the Commissioner of Probation. According to the Commonwealth's records, expenditures associated with the operation of the Division were \$1,666,106 for the period July 1, 2005 to September 30, 2006.

The purpose of our audit was to review NJC's internal controls and compliance with state laws and regulations regarding administrative and operational activities, including juvenile case activity, cash management, payroll time and attendance reporting, and inventory for the period July 1, 2005 to September 30, 2006.

AUDIT RESULTS

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1. IMPROVEMENTS NEEDED IN DEVELOPING AN INTERNAL CONTROL PLAN AND CONDUCTING PERIODIC RISK ASSESSMENTS

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Our audit found that the NJC Probation Office did not formalize its internal control plan or document periodic risk assessments as required by state law and AOTC rules and regulations. The Judge's Lobby prepared an internal control plan, but did not formally document its risk assessment. As a result, the AOTC's efforts to ensure the integrity of court records and assets were diminished.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

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Our audit found that improvements are needed over NJC's inventory control procedures to comply with the AOTC requirements. Although the court maintains a furniture and equipment inventory list, certain AOTC-required information is not included in the

inventory records. The Court does not utilize the mandatory AOTC inventory template, and inventory for the Probation Office has not been updated since the year 2004. In addition, the required annual physical inventories conducted for the Judge's Lobby and Clerk-Magistrate's Office were incomplete, and a physical inventory of the Probation Office furnishings and equipment was not conducted. As a result, NJC understated its inventory, reported at \$253,855 as of September 30, 2006, and the lack of required asset information could hinder future identification of inventory items should the items be moved between locations or not located during subsequent annual physical inventories. Not using the required AOTC inventory template hinders AOTC's efforts to merge local court inventory information into the central inventory database, and not conducting complete annual physical inventories leads to the possibility that items may be missing and not detected in a timely manner.

INTRODUCTION

Background

The Massachusetts Trial Court was created by Chapter 478 of the Acts of 1978, which reorganized the courts into seven Trial Court Departments: the Boston Municipal Court, the District Court, the Housing Court, the Juvenile Court, the Probate and Family Court, the Superior Court, and the Land Court. The statute also created a central administrative office managed by a Chief Administrative Justice (CAJ), who is also responsible for the overall management of the Trial Court. The CAJ charged the central office, known as the Administrative Office of the Trial Court (AOTC), with developing a wide range of centralized functions and standards for the benefit of the entire Trial Court, including budget; central accounting and procurement systems; personnel policies, procedures, and standards for judges and staff; and the management of court facilities, security, libraries, and automation.

Chapter 211B of the Massachusetts General Laws authorized the Juvenile Court Department (JCD), which has general jurisdiction over delinquency, children in need of services (CHINS), care and protection petitions, adult contributing to the delinquency of a minor cases, adoption, guardianship, termination of parental rights proceedings, and youthful offender cases. The JCD established 11 Divisions, each having a specific territorial jurisdiction, to preside over the juvenile-related matters that are brought before it. The Division's organizational structure consists of three separately managed offices: the Judge's Lobby, headed by a First Justice; the Clerk-Magistrate's Office, headed by a Clerk-Magistrate; and the Probation Office, headed by a Chief Probation Officer. The First Justice is the administrative head of the Division and is responsible for preparing the Division's budget and accounting for its revenues; however, the Clerk-Magistrate and the Chief Probation Officer are responsible for the internal administration of their respective offices.

The Norfolk Division of the Juvenile Court Department (NJC) presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Norfolk County. During our audit period, July 1, 2005 to September 30, 2006, NJC collected revenues totaling \$171,108, which it disbursed to the Commonwealth as either general or specific state revenue. The following table shows the breakdown of the \$171,108 in revenues collected and transferred to the Commonwealth:

Revenue Category	Total	July 1, 2006 to Sept. 30, 2006	July 1, 2005 to June 30, 2006
General Revenue	\$ 16,513	\$ 4,827	\$ 11,686
Surcharges	15	0	15
Environmental Fines	300	0	300
Victim/Witness Fund	23,975	6,060	17,915
Alcohol Fees	620	0	620
Probation Supervision Fees	76,814	14,537	62,277
Reimbursement for Indigent Counsel	49,551	12,920	36,631
Victims of Drunk Driving Trust Fund	200	0	200
Indigent Salary Enhancement Trust Fund	255	105	150
Head Injury Fees	<u>2,865</u>	<u>500</u>	<u>2,365</u>
Total	<u>\$ 171,108</u>	<u>\$ 38,949</u>	<u>\$ 132,159</u>

In addition to processing monetary fee assessments on its juvenile cases, NJC was custodian of approximately 72 cash bails amounting to \$30,481 as of September 30, 2006. Bail is the security given to the Court by sureties to obtain release and to ensure appearance in court by the child, at a future date, on juvenile-related matters. Bail is subsequently returned, upon court order, if defendants adhere to the terms of their release.

NJC operations are funded by appropriations under the control of either the Division (local) or the AOTC or Commissioner of Probation Office (central). Under local control was an appropriation for personnel-related expenses of the Clerk-Magistrate's Office, Judge's Lobby support staff, and certain administrative expenses (supplies, periodicals, law books, etc.). Other administrative and personnel expenses of the Division were paid by centrally controlled appropriations. According to the Commonwealth's records, local and certain central appropriation expenditures associated with the operation of the Division for the period July 1, 2005 to September 30, 2006 totaled \$1,666,106¹.

¹ This amount does not include certain centrally controlled expenditures, such as facility lease and related operational expenses, personnel costs attributable to judges, court officers, security officers, and probation office staff, and related administrative expenses of the probation office, since they are not identified by court division in the Commonwealth's accounting system.

Audit Scope, Objectives, and Methodology

In accordance with Chapter 11, Section 12, of the General Laws, the Office of the State Auditor conducted an audit of the financial and management controls of NJC. The scope of our audit included NJC's controls over administrative and operational activities, including juvenile case activity, cash management, payroll time and attendance reporting, and inventory, for the period July 1, 2005 to September 30, 2006.

Our audit was conducted in accordance with applicable generally accepted government auditing standards for performance audits and, accordingly, included audit procedures and tests that we considered necessary under the circumstances.

Our audit objectives were to (1) assess the adequacy of NJC's internal controls over juvenile case activity, cash management, payroll time and attendance reporting, and inventory, and (2) determine the extent of controls for measuring, reporting, and monitoring effectiveness and efficiency regarding NJC's compliance with applicable state laws, rules, and regulations; other state guidelines; and AOTC and JCD policies and procedures.

Our review centered on the activities and operations of NJC's Judge's Lobby, Clerk-Magistrate's Office, and Probation Office. We reviewed juvenile case activity, cash management activity, payroll time and attendance activities, and inventory records to determine whether policies and procedures were being followed.

To achieve our audit objectives, we conducted interviews with management and staff and reviewed prior audit reports, the Office of the State Comptroller's Massachusetts Management Accounting and Reporting System reports, AOTC statistical reports, and NJC's organizational structure. In addition, we obtained and reviewed copies of statutes, policies and procedures, accounting records, and other source documents. Our assessment of internal controls over financial and management activities at NJC was based on those interviews and the review of documents.

Our recommendations are intended to assist NJC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that NJC's systems covering juvenile case activity, cash management, payroll time and attendance reporting, and inventory, operate in an economical, efficient, and effective manner and in compliance with applicable rules, regulations, and laws.

Based on our review, we have determined that, except for the issues noted in the Audit Results section of this report, NJC (1) maintained adequate internal controls over juvenile case activity, cash management, payroll time and attendance reporting, and inventory; and (2) complied with applicable laws, rules, and regulations, for the areas tested.

AUDIT RESULTS

1. IMPROVEMENTS NEEDED IN DEVELOPING AN INTERNAL CONTROL PLAN AND CONDUCTING PERIODIC RISK ASSESSMENTS

Our audit found that the NJC's Probation Office did not formalize its internal control plan or document its risk assessment as required by state law and AOTC rules and regulations. The Judge's Lobby prepared an internal control plan, but did not formally document its risk assessment. As a result, the AOTC's efforts to ensure the integrity of court records and assets were diminished.

Chapter 647 of the Acts of 1989, an Act Relative to Improving the Internal Controls within State Agencies, states, in part: "Internal control systems for the various state agencies and departments of the commonwealth shall be developed in accordance with internal control guidelines established by the Office of the Comptroller." Subsequent to the passage of Chapter 647, the Office of the State Comptroller (OSC) issued written guidance in the form of the Internal Control Guide for Managers and the Internal Control Guide for Departments. In these guides, the OSC stressed the importance of internal controls and the need for departments to develop an internal control plan, defined as follows:

[A] High-level summarization, on a department-wide basis, of the department's risks (as the result of a risk assessment) and of the controls used by the department to mitigate those risks. This high level summary must be supported by lower level detail, i.e. departmental policies and procedures. We would expect this summary to be from ten to fifty pages depending on the size and complexity of the department...

Accordingly, AOTC issued Internal Control Guidelines for the Trial Court, establishing the following requirement for department heads when developing an internal control plan, including the following important internal control concepts:

[The internal control plan] must be documented in writing and readily available for inspection by both the Office of the State Auditor and the AOTC Fiscal Affairs department, Internal Audit Staff. The plan should be developed for the fiscal, administrative and programmatic operations of a department, division or office. It must explain the flow of documents or procedures within the plan and its procedures cannot conflict with the Trial Court Internal Control Guidelines. All affected court personnel must be aware of the plan and/or be given copies of the section(s) pertaining to their area(s) of assignment or responsibility

The key concepts that provide the necessary foundation for an effective Trial Court Control System must include: risk assessments; documentation of an internal control plan; segregation of duties; supervision of assigned work; transaction

documentation; transaction authorization; controlled access to resources; and reporting unaccounted for variances, losses, shortages, or theft of funds or property.

In addition to the Internal Control Guidelines, Fiscal Systems Manual, and Personnel Policies and Procedures Manual, AOTC has issued additional internal control guidance (administrative bulletins, directives, and memorandums) in an effort to promote effective internal controls in court Divisions and offices.

NJC Judge's Lobby officials indicated that when the office's internal control plan was developed, office operations were reviewed and those areas at risk were considered, but they did not formally document their risk assessment. NJC Probation Office personnel stated that they thought maintaining printed copies of internal control-related emails and memos along with the various AOTC policies and procedures manuals constituted the court's internal control plan. They were aware of AOTC's requirement to develop an internal control plan on a Division level, but were unfamiliar with the OSC's definition of an internal control plan and available OSC internal control guidance materials. While conducting on-site audit fieldwork, Probation Office personnel were in the process of assembling the Office's internal control plan document.

Recommendation

The NJC Judge's Lobby should formalize, in writing, its risk assessment and modify its internal control plan, if necessary, for any risks not yet addressed. The NJC Probation Office should review AOTC's Internal Control Guidelines and the OSC's internal control plan requirements, conduct a risk assessment, and formally document in its internal control plan the risks and internal control requirements specific to its operations. Moreover, NJC should conduct annual risk assessments and update their internal control plans based on the results of these risk assessments, as necessary.

Auditee's Response

The First Justice provided the following response:

Your audit found that, although the Judge's Lobby has prepared an internal control plan, it has not sufficiently documented its risk assessment. Based upon your determination, the Judge's Lobby will be amending its current internal control plan to better formalize and document, in writing, its risk assessment as required by state law and AOTC rules and regulations. It is anticipated that the Lobby's current

internal control guidelines will be modified no later than June 1, 2007 to more carefully and thoroughly delineate the department's risk assessment. Further, the Judge's Lobby will thereafter conduct annual risk assessments and update our internal control plans based on the information obtained, as necessary.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

Our audit found that improvements are needed over NJC's inventory control procedures to comply with the AOTC requirements. Although the court maintains a furniture and equipment inventory list, certain AOTC-required information is not included in the inventory records, and the mandatory AOTC inventory template is not utilized. It was also noted that the fixed asset information for the Probation Office had not been updated for Probation Office activity since the year 2004. In addition, the required annual physical inventories conducted for the Judge's Lobby and Clerk-Magistrate's Office were incomplete, and a physical inventory of the Probation Office furnishings and equipment had not been conducted. As a result, NJC understated its inventory, reported at \$253,855 as of September 30, 2006, and the lack of required asset information could hinder future identification of inventory items should the items be moved between locations or not located during subsequent annual physical inventories. Not using the required AOTC inventory template hinders AOTC's efforts to merge local court inventory information into the central inventory database, and not conducting complete annual physical inventories leads to the possibility that items may be missing and not detected in a timely manner.

Effective for fiscal year 2004, the responsibility for preparing and reporting the fixed asset inventory was transferred from AOTC to each individual court division. With this revision, court locations became responsible for maintaining a fixed asset inventory of items valued over \$100 in their care and control. These revised inventory procedures were communicated to all court officials in a May 28, 2004 memo from the Chief Justice for Administration and Management, which stated, in part:

The fixed asset inventory must contain all fixed assets with a value over \$100 that is in the care and control of a court/office. There should be one fixed asset inventory for each court division or office. The fixed asset inventory is an integral part of the internal control plan for a court/office.

In conjunction with the Trial Court Information Technology Department, the Fiscal Affairs Department has developed a spreadsheet utilizing Microsoft Excel that captures the essential inventory information [current tag number, equipment type, source, date received, site location, room location, description, cost] the new

procedures require courts and offices to initially enter their inventory data into the Excel spread sheet and make additions and deletions as equipment is received and disposed.

The information on the inventory spreadsheet must be reconciled by courts and offices at the end of each fiscal year. The information must then be reported, via email, to the Fiscal Affairs Department no later than October 1st each year.

Fixed assets that are provided to a court or office as part of a capital project, e.g. a new or renovated courthouse or fixed assets that are purchased centrally by the AOTC, Office of the Commissioner of Probation, et al., must be included in the inventory of the court/office which has possession of the asset. In such instances, the court/office should consult with the organization that procured the fixed asset to obtain the pertinent data.

Our review of the NJC inventory list found that the AOTC guidelines listed above are not being followed. To determine the extent of items that did not reflect AOTC-required information, we conducted a further review and performed audit tests of the NJC inventory list that contained 531 items. We found that 73 items had no cost shown on the inventory list, and 202 items had no location documented. It should be noted that the absence of information pertains primarily to items that were acquired in fiscal years 1998 through 2001, and that these items were acquired prior to the court being responsible for maintaining inventory information.

According to NJC personnel, they were aware of the requirement to update the court's inventory with essential inventory details, but due to complications entering inventory data into the Microsoft Excel spreadsheet template provided by the AOTC, as well as time constraints, they were unable to include all essential elements on the inventory list. NJC personnel also had trouble viewing the Excel template to enter data and conduct an inventory, so they created their own spreadsheet inventory. However, these locally developed spreadsheets do not comply with the AOTC standardized template.

With respect to the Probation Office not maintaining an inventory, NJC Probation Office officials told us that they believed that Probation Office inventory was being maintained by the Office of the Commissioner of Probation (OCP), as that office had expanded its responsibilities as of July 2003.

We discussed the status of NJC inventory problems with court personnel and they indicated that they would take corrective action on these matters. NJC staff were attempting to

contact AOTC for guidance in utilizing the Microsoft Excel spreadsheet mentioned in the May 28, 2004 memo from the Chief Justice for Administration and Management, and they were further attempting to obtain all required essential information where it was absent. In addition, NJC Probation Office officials mentioned that they would contact the OCP to clarify their inventory responsibilities, and they were in the process of developing an inventory list specific to the Probation Office.

Recommendation

NJC staff should continue its efforts to utilize the Microsoft Excel spreadsheet inventory template provided by AOTC and to complete its inventory lists with any missing essential information. A complete physical inventory should be conducted, and the court should update the inventory template, if necessary, and forward it to the AOTC. In the future, the court should conduct annual physical inventories, reconcile the results of the physical inventory to their inventory records, and submit the completed inventory results to the AOTC.

Auditee's Response

The First Justice provided the following response:

This court accepts your findings that improvements are needed over the inventory control procedures to comply with AOTC requirements and the Judge's Lobby has already undertaken corrective action.

First, following the audit, the Head Administrative Assistant (HAA) has successfully obtained the AOTC's standardized excel inventory template. The HAA has also transferred all documented information from this court's former furniture and equipment inventory list to the approved and mandatory AOTC spread sheet. Further, the HAA is currently updating the standardized inventory template with all required essential inventory details, including without limitation, asset tags, costs and locations, and the current annual physical inventory of all fixed assets of the Judge's Lobby and the Clerk-Magistrate's office is underway; a completed physical inventory to be concluded no later than June 1, 2007. Hereafter, annual physical reviews of all fixed assets shall be conducted and updated inventory information shall be submitted to AOTC no later than October 1st, each year, using only the approved standardized AOTC inventory spreadsheet.

Second, a request shall be forthwith submitted to the Chief Probation Officer of NJC seeking detailed inventory information pertaining to the fixed assets procured for the exclusive use of the NJC Probation Department and purchased by the Office of the Commissioner of Probation from its central account. Upon receipt of this information, the Judge's Lobby will be able to include all required inventory information pertaining to the equipment and furniture within the Probation

Department on the NJC's inventory list and provide such information in its annual report to AOTC.