



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

Official Audit Report – Issued June 18, 2013

Plymouth County District Attorney's Office

For the period July 1, 2010 through March 31, 2012



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Plymouth County District Attorney's Office (PCDA) was established under the provisions of Chapter 12, Sections 12 and 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws.

PCDA is one of 11 District Attorney's Offices located throughout the Commonwealth. District Attorney's Offices represent the Commonwealth in most criminal proceedings brought by complaint in the District Courts, as well as indictment in the Superior Courts. District Attorney's Offices also represent the Commonwealth before grand juries and assist with the investigation of a variety of criminal activities as well as victim/witness assistance services. Further, District Attorney's Offices provide outreach services into the local communities and schools, discussing topics such as bullying/harassment, Internet and cyber-safety programs, drug and alcohol use, identity theft, and domestic violence.

The objectives of our audit, which covered the period July 1, 2010 through March 31, 2012, were to determine whether PCDA's (1) financial records are accurate, up to date, and maintained in accordance with established criteria; (2) expenditures, including payroll, program, and administrative costs, are appropriate and reasonable; (3) advanced expenses are processed properly with supporting documentation; (4) controls over revenues – specifically, forfeited funds and witness protection funds – are adequate and functioning as intended; (5) inventory systems are adequate to safeguard supplies, equipment, and forfeited property; (6) controls over funds received from the Witness Protection Board are adequate and such funds are being used for their intended purpose; and (7) overall internal control structure is suitably designed and implemented to safeguard Commonwealth assets in compliance with Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

Highlight of Audit Finding

PCDA was not fully compliant with Office of the State Comptroller (OSC) policy regarding the accounting and full reporting of non-Generally Accepted Accounting Principles (GAAP) fixed assets, equipment, and other inventory. Specifically, our audit found that PCDA's inventory database

was not complete and did not contain all the information, such as purchase price and date of purchase, that is required in order for PCDA to be in full compliance with OSC's policy. In addition, we noted that PCDA did not conduct annual physical inventories of its assets, as required by OSC's policy.

Recommendations of the State Auditor

To properly control and maintain its inventory, including its non-GAAP fixed asset inventory, and ensure compliance with OSC policy, PCDA should:

- Use OSC's Internal Control Guide and Fixed Asset Acquisition Policy as a reference in updating its policies and procedures to include conducting an annual physical inventory.
- Ensure that its policies and procedures for inventory control are adhered to and are compliant with OSC guidelines.
- Update its inventory database to include the purchase price and date of each item. If this information is not available, PCDA should assess a fair market value for the item using the Internet or some valuation source.
- Update its inventory database to include any changes in the location of assets and inventory tagging as these changes are being made.

OVERVIEW OF AUDITED AGENCY

The Plymouth County District Attorney's Office (PCDA) was established under the provisions of Chapter 12, Sections 12 and 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws. PCDA serves one city and 26 towns¹ in southeastern Massachusetts, representing the Commonwealth in criminal and civil proceedings (including bail hearings, commitment proceedings related to criminal matters, and the presentation of evidence in all inquests and rendition proceedings), and assists with the investigation of a variety of criminal activities. PCDA maintains its main administrative office in Brockton and has satellite offices in Brockton, Plymouth, Wareham, and Hingham.

For the fiscal year ended June 30, 2011 and for the period July 1, 2011 through March 31, 2012, PCDA received state maintenance appropriations to fund its administrative operations totaling \$6,773,521 and \$5,239,652, respectively. In addition, PCDA received state appropriations and funding from other sources to support various programs such as forfeited funds and witness protection totaling \$2,560,075 and \$1,476,672, respectively, for these two periods.

¹ The PCDA serves the City of Brockton and 26 towns: Abington, Bridgewater, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Lakeville, Marion, Marshfield, Mattapoisett, Middleborough, Norwell, Pembroke, Plymouth, Plympton, Rochester, Rockland, Scituate, Wareham, West Bridgewater, and Whitman.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Plymouth County District Attorney's Office (PCDA) for the period July 1, 2010 through March 31, 2012. The objectives of our audit were to determine whether PCDA's (1) financial records are accurate, up to date, and maintained in accordance with established criteria; (2) expenditures, including payroll, program, and administrative costs, are appropriate and reasonable; (3) advanced expenses are processed properly with supporting documentation; (4) controls over revenues – specifically, forfeited funds and witness protection funds – are adequate and functioning as intended; (5) inventory systems are adequate to safeguard supplies, equipment, and forfeited property; (6) controls over funds received from the Witness Protection Board are adequate and such funds are being used for their intended purpose; and (7) overall internal control structure is suitably designed and implemented to safeguard Commonwealth assets in compliance with Chapter 647 of the Acts of 1989, An Act Relative to Improving the Internal Controls within State Agencies.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives, we conducted interviews with PCDA officials and reviewed the following:

- Applicable General Laws; Office of the State Comptroller Internal Control Policies and Guides; and Chapter 647 of the Acts of 1989.
- Documentation relative to PCDA's budgetary process and spending plan.
- PCDA's Internal Control Plan, risk assessment, internal control structure, and verbal and written administrative and accounting policies and procedures.
- PCDA's financial records to determine whether they were accurate and up to date.
- PCDA's financial records, including judgmental and statistical sampling of PCDA's revenues, expenditures, inventory, and payroll transactions.

- Selected PCDA revenue (forfeited funds), expenditures, advances, and payroll transactions to verify that these transactions were appropriately accounted for, recorded, and safeguarded in accordance with established criteria.
- PCDA's inventory control system for furnishings and equipment.
- PCDA's controls over the funds advanced for Witness Protection Board approved expenditures.

We obtained appropriations, grant awards, and expenditure information from information systems maintained by the Commonwealth, as well as forfeited fund case activity from systems maintained by the Massachusetts District Attorneys Association. We compared this information with other source documents and interviewed knowledgeable PCDA officials about this data. We determined that the data were sufficiently reliable for the purposes of this report.

Based on our audit, we have determined that for the period July 1, 2010 through March 31, 2012, except for the issue addressed in the Audit Findings section of this report, PCDA maintained adequate internal controls over its financial operations and program activities for the areas tested.

AUDIT FINDINGS

IMPROVEMENTS NEEDED IN THE ACCOUNTING OF FIXED ASSET INVENTORY

Our audit found that the Plymouth County District Attorney's Office (PCDA) was not fully compliant with the Office of the State Comptroller's (OSC's) policy regarding the accounting and full reporting of non-Generally Accepted Accounting Principles (GAAP) fixed assets, equipment, and other inventory. We found that, although PCDA maintained an inventory list including its non-GAAP fixed assets, the list did not contain all the required information (such as the purchase dates and historical costs of some assets) required in order for PCDA to be fully compliant with OSC's policy in this area. In addition, PCDA does not conduct a physical inventory of its assets each year as required by OSC policy.

OSC defines non-GAAP fixed assets as singular assets, including such items as vehicles, equipment, furniture, electronic devices, computer software, and all electrical computer components with a useful life in excess of one year and with an original cost between \$1,000 and \$49,999. OSC's "Fixed Assets – Acquisition Policy," issued July 1, 2004 and revised November 1, 2006, states:

Non-GAAP Fixed Assets must be recorded in a Department's inventory and reconciled at least annually. This inventory can be either electronic or on paper, as long as it records the date of purchase, amount, description, location and disposition of an item.

PCDA's internal control inventory policies and procedures state:

Once equipment is received and signed for, an inventory control number is assigned by a finance assistant or IT Department. This new item is entered into the database and also a paper record is kept within the finance department's records, or in the case of IT purchases, in the IT department's records.

Our review of the database noted purchase dates and amounts that were not included, as follows:

- Two hundred twenty-two, or approximately 16%, of 1,428 items in the database did not include a purchase date.
- Sixty-six, or approximately 5%, of 1,428 items in the database did not include historical cost information (purchase price).

As a result of these problems, PCDA's inventory database does not provide a basis for valuation of the total inventory for replacement and disposal purposes as equipment becomes obsolete and unusable. In fact, many items in the database cannot be readily valued, identified as non-GAAP, or

cross-referenced with detailed records of purchase invoices or source-funding accounts to verify when, from whom, and at what cost the items were purchased.

To evaluate the accuracy and completeness of PCDA's inventory records, we conducted a test of a random non-statistical sample of 59 items, from the population of the 1,428 items listed in PCDA's inventory database. Our testing in this area was intended to verify, by inspection, the inventory tag number, purchase price, and location of the furniture and equipment items in our sample. Our test found that:

- One of the 59 items tested, a computer server, was in a location other than that represented on the inventory list.
- Six items could not be physically located at their listed locations. The six items were a television, a microphone transmitter, a flat-screen monitor, a wooden desk, and two chairs.

As a result, PCDA cannot be sure that it is adequately protecting its inventory, including its non-GAAP fixed assets, from theft or misuse. Furthermore, without a basis for the valuation of inventory items, PCDA may not be able to evaluate lost or obsolete equipment in order to replace it.

We also found that PCDA's Internal Control Plan requires that inventories of assets be conducted; however, contrary to OSC policy, it does not require that physical inventories be conducted annually. Specifically, the section "Asset Protection" in PCDA's Internal Control Plan states,

On a regular basis, an inventory review will be conducted. This may be completed by finance staff, administrative staff, or interns, depending on availability. The inventory is printed out by location and verified.

As a result, at the time of our audit, PCDA had not performed a physical inventory of its fixed assets and equipment of computer hardware and software since November 2011 and had not performed one for furniture, electronic equipment, and other equipment since June 2010. This policy, as currently written, is insufficient and should be amended in accordance with OSC guidelines requiring the taking of an annual physical inventory.

Regarding this matter, PCDA's Chief Financial Officer (CFO) stated that the six missing items identified will be purged from the system and a report will be filed with the Office of the State Auditor in accordance with Chapter 647 of the Acts of 1989. The CFO also stated that the agency's Information Technology section has gone through personnel changes and that these changes could

have resulted in the data entry problems associated with the missing dates of purchase and acquisition costs of assets in its inventory.

Recommendation

To properly control and maintain its inventory, including its non-GAAP fixed asset inventory, and ensure compliance with OSC policy, PCDA should:

- Use OSC's Internal Control Guide and Fixed Asset Acquisition Policy as a reference in updating its policies and procedures to include conducting an annual physical inventory.
- Ensure that its policies and procedures for inventory control are adhered to and are compliant with OSC guidelines.
- Update the inventory database to include the purchase price and date of each item. If this information is not available, PCDA should assess a fair market value for the item using the Internet or some valuation source.
- Update its inventory database to include any changes in the location of assets and inventory tagging as these changes are being made.

Auditee's Response

Our Internal Control Plan has been updated to reflect that Management will ensure this inventory review will be conducted annually, and completed prior to September 30th of each year. The results of said inventory will be placed in a permanent file. If any discrepancies are revealed during this inventory review they will be reported to the proper authorities. Records of this review will be maintained according to OSC records retention guidelines. . . .

Our office is in the process of completing an overhaul of our inventory tracking process. We have purchased a barcode fixed asset tracking system (FATS) which will be utilized from this point forward to conduct our annual inventories. As we transition over to the new barcode system we will update all tracked items to ensure there is a purchase date and purchase price. This system accommodates not only physical descriptions of the tagged item, but also physical locations. This feature will assist our office with any items that are moved from one location to another.