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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
TAUNTON DIVISION OF THE
DISTRICT COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2006 TO SEPTEMBER 30, 2007

OFFICIAL AUDIT
REPORT
APRIL 22, 2008

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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 District Court Department to establish 62 Divisions, each having a specific territorial jurisdiction, to preside over civil and criminal 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 Taunton Division of the District Court Department (TDC) presides over civil and criminal matters falling within its territorial jurisdiction of the City of Taunton and the towns of Berkley, Dighton, Easton, Raynham, Rehoboth, and Seekonk. During the period July 1, 2006 to September 30, 2007, TDC collected revenues totaling \$2,472,772, which it disbursed to the Commonwealth and those municipalities. In addition to processing civil entry fees and monetary assessments on criminal cases, TDC was custodian of approximately 967 cash bails totaling \$405,190 as of September 30, 2007.

TDC is also responsible for conducting civil motor vehicle infraction (CMVI) hearings. Although TDC does not collect the associated monetary assessment when a motorist is found responsible for a CMVI, it is required to submit the results of the hearing to the Registry of Motor Vehicles, the agency that is responsible for the collections.

TDC operations are funded by appropriations under the control of either the Division, the Administrative Office of the Trial Court (AOTC), or the Office of the Commissioner of Probation. According to the Commonwealth's records, expenditures associated with the operation of the Division were \$3,037,687 for the period July 1, 2006 to September 30, 2007.

The purpose of our audit was to review TDC's internal controls and compliance with state laws and regulations regarding administrative and operational activities, including cash management, bail funds, and criminal- and civil-case activity for the period July 1, 2006 to September 30, 2007.

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1. IMPROVEMENTS NEEDED WITH CONDUCTING RISK ASSESSMENTS TO COMPLETE THE INTERNAL CONTROL PLAN

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Our review disclosed that TDC has made progress in developing an internal control plan. However, TDC has not documented its risk assessments in accordance with Chapter 647 of the Acts of 1989 and AOTC guidelines. The lack of a risk assessment correlated to the internal control plan diminishes AOTC's efforts to ensure the integrity of TDC's records and assets.

2. IMPROVEMENTS NEEDED OVER REVENUE RECONCILIATION**6**

Our audit found that the TDC accounted for and transmitted revenues to the Commonwealth in accordance with established procedures. However, our audit also found that the TDC did not reconcile its monthly Revenue Transmittal and Reporting Sheet (RTRS) to either the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS) or to the amounts posted on AOTC's website, as required by the Trial Court. As a result, we found that the amount recorded as MMARS revenue was \$102,667 less than the amount reported as transmitted by TDC for the audit period July 1, 2006 to September 30, 2007. Therefore, TDC and the Commonwealth could not be assured that all revenues were properly credited to the appropriate general or specific state revenue account. .

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 a 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 District Court Department (DCD), which has civil jurisdiction over money-damage cases involving tort and contract actions; small claims; summary process; civil motor vehicle infractions (CMVI); mental health, alcoholism, and drug abuse commitments; and juvenile matters in Districts without a Juvenile Court. Its criminal jurisdiction extends over all misdemeanors and certain felonies. The DCD established 62 Divisions, each having a specific territorial jurisdiction, to preside over the civil and criminal 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 Taunton Division of the District Court Department (TDC) presides over civil and criminal matters falling within its territorial jurisdiction that covers the City of Taunton and the towns of Berkley, Dighton, Easton, Raynham, Rehoboth, and Seekonk. During our audit period July 1, 2006 to September 30, 2007, TDC collected revenues totaling \$2,472,772, which it disbursed to the Commonwealth and those municipalities. The majority (approximately 95%) of revenue collected

by TDC was paid to the Commonwealth as either general or specific state revenue, totaling \$2,347,064, as follows:

Revenue Type	Total	July 1, 2006 to June 30, 2007	July 1, 2007 to September 30, 2007
General Revenue	\$1,122,828	\$926,089	\$196,739
Diversity Awareness	25	25	-
Surcharges	72,469	59,179	13,290
Environmental Fines	4,950	3,875	1,075
Victim/Witness Fund	94,784	81,136	13,648
Alcohol Fees	57,823	45,951	11,872
Probation Fees	719,479	579,400	140,079
Drug Analysis Fund	2,040	1,290	750
Reimbursement for Indigent Counsel	212,131	176,539	35,592
Victims of Drunk Driving	12,613	11,162	1,451
Indigent Salary Enhancement Trust Fund	3,210	2,865	345
Highway Fund	1,615	1,590	25
Head Injury Program	<u>43,097</u>	<u>35,566</u>	<u>7,531</u>
Total	<u>\$2,347,064</u>	<u>\$1,924,667</u>	<u>\$422,397</u>

Approximately \$777,302 of those funds consisted of probation supervision and alcohol fees that were collected by the Probation Office and submitted to the Clerk-Magistrate's Office for transmittal to the Commonwealth. During the same period, the Probation Office collected \$432,530 of restitution money that it paid directly to the parties owed the funds.

In addition to processing civil case-entry fees and monetary fee assessments on criminal cases, TDC was custodian of approximately 967 cash bails totaling \$405,190 as of September 30, 2007. Bail is the security given to the court by defendants or their sureties to obtain release and to ensure appearance in court, at a future date, on criminal matters. Bail is subsequently returned, upon court order, if defendants adhere to the terms of their release.

TDC is also responsible for conducting civil motor vehicle infraction (CMVI) hearings, which are requested by the alleged violator and heard by a Clerk-Magistrate or judge who determines whether

the drivers are responsible for the CMVI offenses cited. TDC does not collect the associated monetary assessment when a violator is found responsible, but it is required to submit the results of the hearing to the Registry of Motor Vehicles, which follows up on collections.

TDC operations are funded by appropriations under the control of either the Division (local) or AOTC or the Commissioner of Probation's Office (central). Under local control was an appropriation for personnel-related expenses of the Clerk-Magistrate's Office and 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, 2006 to September 30, 2007 totaled \$3,037,687¹.

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 over certain operations of TDC. The scope of our audit included TDC's controls over operational activities, including cash management, bail funds, and criminal- and civil-case activity, for the period July 1, 2006 to September 30, 2007.

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 TDC's internal controls over cash management, bail funds, and civil- and criminal-case activity and (2) determine the extent of controls for measuring, reporting, and monitoring effectiveness and efficiency regarding TDC's compliance with applicable state laws, rules, and regulations; other state guidelines; and AOTC and DCD policies and procedures.

Our review centered on the activities and operations of TDC's Judge's Lobby, Clerk-Magistrate's Office, and Probation Office. We reviewed bail and related criminal-case activity. We also reviewed

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

cash management activity and transactions involving criminal monetary assessments and civil case entry fees 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 TDC'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 TDC was based on those interviews and the review of documents.

Our recommendations are intended to assist TDC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that TDC's systems covering cash management, bail funds, and criminal- and civil-case activity operate in an economical, efficient, and effective manner and in compliance with applicable rules, regulations, and laws.

Based on our review, we determined that, except for the issues noted in the Audit Results section of this report, TDC (1) maintained adequate internal controls over cash management, bail funds, and civil- and criminal-case activity; (2) properly recorded, collected, deposited, and accounted for all receipts; and (3) complied with applicable laws, rules, and regulations for the areas tested.

AUDIT RESULTS

1. IMPROVEMENTS NEEDED WITH CONDUCTING RISK ASSESSMENTS TO COMPLETE THE INTERNAL CONTROL PLAN

Our audit disclosed that although the Taunton District Court (TDC) has made progress in developing an internal control plan, additional work is needed. TDC prepared internal control documents that outline overall internal control procedures and concepts. However, TDC did not document its risk assessments, which could then be used to determine what internal control procedures are needed to minimize the identified risks. As a result, the Administrative Office of the Trial Court's (AOTC) efforts to ensure the integrity of the Court's 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. A revised Internal Control Guide has subsequently replaced the previous guides by streamlining the information contained in the previous guides and incorporating additional internal control principles. The OSC continues to stress the importance of internal controls and the need for departments to develop internal control plans, defined as follows:

An internal control plan is a description of how a department expects to meet its various goals and objectives by using policies and procedures to minimize risk. The Commonwealth has defined the internal control plan to be a high-level summary supported by lower level policy and procedures.

Further, AOTC has issued Internal Control Guidelines for the Trial Court, establishing the following requirement for department heads when developing an internal control plan, including 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.

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

Recommendation

TDC should document its risk assessments and make any necessary modifications to its internal control plan to correlate the risks to the internal control procedures. The Court should conduct annual risk assessments and update its internal control plan based on the results of these risk assessments, as necessary.

Auditee's Response

In response to this issue, the Acting Clerk Magistrate responded, in part:

The Court has contacted the Internal Audit staff of the Trial Court and sought their guidance and assistance in the preparation and implementation of risk assessment internal controls.

The Chief Probation Officer further stated:

The Taunton District Court Probation Department has already been trained by AOTC and has an updated and improved Control Plan and Risk Assessment Analysis in place. This has been done since the Audit and is available for inspection.

2. IMPROVEMENTS NEEDED OVER REVENUE RECONCILIATION

Our audit found that the TDC accounted for and transmitted revenues to the Commonwealth in accordance with established procedures. However, our audit also noted that office personnel did not reconcile the revenues it transmitted to the Commonwealth's Massachusetts Management Accounting and Reporting System (MMARS), as required by AOTC. Specifically, we reviewed MMARS revenue activity for the 15-month period July 1, 2006 to September 30,

2007 and determined that the amount recorded as MMARS revenues for the period was \$102,667 less than the amount reported transmitted by TDC. Since TDC did not reconcile transmitted revenues to MMARS, it was unaware of this discrepancy. As a result, TDC and the Commonwealth cannot be assured that all revenues were properly credited to the appropriate general or specific state revenue account.

AOTC has established certain internal controls, incorporated in its Fiscal Systems Manual, that require Clerk Magistrate's Offices to reconcile revenue transmittals on a monthly basis. Section 8.6 of the Manual states, in part:

Since the [Clerk Magistrate] Office receives the MMARS 466C reports (per next step 2), the [Clerk Magistrate] Office bookkeepers have the task of revenue reconciliation for each division...

Receive Massachusetts Management Accounting and Reporting System (MMARS) 466C Report—Cash Received by State vs. Cash Reported by Department.

Compare all Revenue Transmittal Sheets (RTS's) remitted by the [Probation] Office for that monthly period to the MMARS 466C Report for the same period.

If there is a difference between the MMARS 466C Report and the Revenue Transmittal Sheets, contact the Audit Section of the Fiscal Affairs Department of the Administrative Office of the Trial Court.

In fiscal year 2005, the Commonwealth upgraded its accounting systems. With that upgrade, the MMARS 466C report was no longer available. To that end, the AOTC provided the Division with alternative procedures to reconcile its Revenue Transmittal and Reporting Sheet (RTRS) amounts to the total amount posted on the Trial Court's intranet web page on a monthly basis; however, TDC personnel were not aware of the availability of this data.

In August 2006, the Trial Court issued Fiscal Year 2007 Memo #6, which addresses revenue reconciliation. The Memo provides specific procedures for courts to verify revenue transactions and fulfills the revenue reconciliation requirement in lieu of the former 466C report. This reconciliation should be completed and retained in the monthly closing packets.

The Clerk-Magistrate's Office and Probation Office bookkeepers stated that they were unaware of the revenue reconciliation requirement contained in the Fiscal Year 2007 Memo # 6, but that they would become familiar with and implement the prescribed revenue reconciliation procedures.

Recommendation

TDC should comply with AOTC's Fiscal Year 2007 Memo #6 requiring the completion of monthly revenue reconciliations to ensure that revenues are transmitted and credited to the proper accounts in the Commonwealth's MMARS system.

Auditee's Response

In response to this issue, the Acting Clerk Magistrate responded, in part:

The Court has contacted the Internal Audit staff of the Trial Court to review this process and ensure that our staff is properly trained in the application of revenues.