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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
SUFFOLK DIVISION OF THE
JUVENILE COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2005 TO SEPTEMBER 30, 2006**

**OFFICIAL AUDIT
REPORT
MAY 25, 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 Suffolk Division of the Juvenile Court Department (SJC) presides over juvenile-related matters falling within its territorial jurisdiction: the cities and towns of Suffolk County. During the period July 1, 2005 through September 30, 2006, SJC collected revenues totaling \$48,244, which it disbursed to the Commonwealth. In addition to processing monetary assessments on juvenile cases, SJC was the custodian of 623 cash bails amounting to \$117,190 as of September 30, 2006.

SJC operations are funded by appropriations under the control of 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 \$2,138,874 for the period July 1, 2005 to September 30, 2006.

The purpose of our audit was to review SJC'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, the Court Appointed Special Advocates (CASA) program, 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 although the SJC prepared internal control plans that covered the major operational areas of the court, neither the Clerk-Magistrate's Office nor the Probation Office conducted a risk assessment and the Probation Office did not formally complete its internal control plan. As a result, the AOTC's efforts to ensure the integrity of court records and assets were not optimized.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

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Effective for fiscal year 2005, the responsibility for preparing and reporting the fixed asset inventory transferred from AOTC to each court division. Our audit found that the SJC Probation Department had not conducted an annual physical inventory and had not maintained up-to-date fixed asset inventory records. A list of new purchases has been maintained by the Probation Department's Office Manager; however, the list does not contain certain AOTC-required inventory information for its fixed assets. As a result, the Probation Department has not maintained sufficient control over the fixed assets in its custody.

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 Suffolk Division of the Juvenile Court Department (SJC) presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Suffolk County. During our audit period, July 1, 2005 to September 30, 2006, SJC collected revenues totaling \$48,244, which it disbursed to the Commonwealth as either general or specific state revenue. The following table shows the breakdown of the \$48,244 in revenues collected and transferred to the Commonwealth:

Revenue Category	Total	July 1, 2005 to June 30, 2006	July 1, 2006 to September 30, 2006
Fees	\$ 60	\$ 60	-
General Revenue	2,725	2,225	\$ 500
Miscellaneous	1,207	1,106	101
Probation Supervision Fees	4,455	3,016	1,439
Reimbursement for Indigent Counsel	20,555	18,630	1,925
Victim/Witness Fund	<u>19,242</u>	<u>15,288</u>	<u>3,954</u>
Total	<u>\$48,244</u>	<u>\$40,325</u>	<u>\$7,919</u>

In addition to processing monetary fee assessments on its juvenile cases, SJC was custodian of approximately 623 cash bails amounting to \$117,190 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.

SJC operations are funded by appropriations under the control of either the Division (local) or the AOTC or the 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 \$2,138,874¹.

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 SJC. The scope of our audit included SJC's controls over administrative and operational activities, including juvenile case activity, cash management, payroll time and attendance reporting, the Court Appointed Special Advocates (CASA) program, and inventory, for the period July 1, 2005 to September 30, 2006.

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 identifiable by court division in the Commonwealth's accounting system.

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 SJC's internal controls over juvenile case activity, cash management, payroll time and attendance reporting, the CASA program, and inventory, and (2) determine the extent of controls for measuring, reporting, and monitoring effectiveness and efficiency regarding SJC'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 SJC'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 SJC'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 SJC was based on those interviews and the review of documents.

Our recommendations are intended to assist SJC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that SJC's systems covering juvenile case activity, cash management, payroll time and attendance reporting, the CASA program, 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, SJC (1) maintained adequate internal controls over juvenile case activity, cash management, payroll time and attendance reporting, the CASA program, 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 Clerk's Magistrate's Office prepared an internal control plan, but did not conduct a risk assessment as part of the internal control plan development process. The internal control plan prepared by the Clerk Magistrate's Office also includes the Judge's Lobby operations. The Probation Department did not formally complete its internal control plan or conduct a risk assessment as required by state law and AOTC rules and regulations. The document presented as the Probation Department's internal control plan is a compilation of policies, procedures, forms, memos, and other documentation related to departmental processes and personnel policies and procedures. The document contains information useful to Probation Department personnel, but it does not comply with the internal control guidelines promulgated by the Office of the State Comptroller (OSC). As a result, the AOTC's efforts to ensure the integrity of court records and assets were not optimized.

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 OSC issued written guidance in the form of the Internal Control Guide for Managers and the Internal Control Guide for Departments, which require that each department's internal control plan be unique and contain five components: risk assessment, control environment, information and communication, control activities, and monitoring. Neither the internal control documents prepared by the Clerk Magistrate's Office nor the Probation Department contained the five components of internal control as specified by the State Comptroller. 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, the 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.

SJC officials stated that 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 the availability of OSC internal control guidance materials. While conducting our audit fieldwork, the Clerk-Magistrate's Office was in the process of performing a department-wide risk assessment in order to improve its office's internal control plan.

Recommendation

The SJC Clerk Magistrate's Office should complete and document its risk assessment and modify its internal control plan, if necessary, for any risks not already addressed. The SJC Probation Department should review AOTC's Internal Control Guidelines and the OSC's internal control plan requirements, conduct a risk assessment, and formally document its internal control plan that addresses the risks and internal control requirements specific to its operations. SJC internal control plans should address all five components required by the OSC: risk assessment, control environment, information and communication, control activities, and

monitoring. Additionally, SJC should conduct annual risk assessments and update its internal control plans based on the results of these risk assessments, as necessary.

Auditee's Response

The First Justice responded that the court is currently working on an internal control plan that will comply with the Commonwealth's requirements.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

Effective for fiscal year 2005, the responsibility for preparing and reporting the fixed asset inventory transferred from AOTC to each 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 that 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.

Subsequent to the issuance of the May 28, 2004 memo, the SJC took steps to implement the new inventory control procedures. The new inventory procedures resulted in the Judge's Lobby, Clerk Magistrate's Office, and the Probation Department each having the responsibility to maintain separate inventories.

Our review of the SJC's inventory records found that the Judge's Lobby and Clerk Magistrate's Office complied with the AOTC's inventory procedures and conducted an annual physical inventory and reconciled it to their respective perpetual inventory records. However, the Probation Department did not implement the new Excel spreadsheet and has not maintained

up-to-date fixed asset inventory records. The most recent fixed asset inventory for the Probation Department was dated March 2003. The absence of up-to-date inventory records diminishes the court's ability to accurately account for and safeguard its property and equipment. The loss, theft or inappropriate use of SJC property and equipment in the custody of the Probation Department could go undetected.

The Probation Department Office Manager has been maintaining a separate list of new purchases; however, this list is missing certain AOTC-required inventory information for its fixed assets (i.e., receipt date, item cost, and manufacturer's serial number). The Probation Department Office Manager explained that because the Office of the Commissioner of Probation purchases fixed assets centrally for the SJC Probation Department, cost information is not routinely provided. Similarly, fixed assets purchased centrally by the AOTC for the Clerk Magistrate's Office and the Judge's Lobby are listed on their respected inventories with no item cost information recorded. The following guidance regarding centrally purchased fixed assets was provided by the AOTC in their May 28, 2004 memo:

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.

While conducting our audit fieldwork, the SJC Probation Department staff was in the process of conducting a physical inventory in an effort to bring its inventory records up-to-date and comply with the AOTC procedures for maintaining trial court fixed assets. In addition, at the informal exit conference, the Chief Probation Officer provided us with a copy of a letter requesting cost information from the Commissioner of Probation as well as a spreadsheet formatted in accordance with AOTC's inventory requirements.

Recommendation

SJC Probation Department staff should continue its efforts to compile an accurate and up-to-date perpetual inventory list as required by the AOTC Equipment Inventory Procedures. This list should be reconciled and reported to the AOTC Fiscal Affairs Department annually, no later than October 1st.

The SJC should endeavor to obtain all pertinent data for centrally-purchased fixed assets and include this information on their respective offices' inventory lists.

Auditee's Response

The First Justice indicated that the court has been working on the process of completing an inventory in accordance with AOTC requirements, and that a new Excel spreadsheet with an up-to-date fixed asset inventory from the Probation Department has been submitted.