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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
FRANKLIN/HAMPSHIRE DIVISION OF THE
JUVENILE COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2005 TO OCTOBER 31, 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 Franklin/Hampshire Division of the Juvenile Court Department (FHJC) presides over juvenile-related matters falling within its territorial jurisdiction: the cities and towns of Franklin and Hampshire Counties and the Town of Athol in Worcester County. During the period July 1, 2005 through October 31, 2006, FHJC collected revenues totaling \$54,905 which it disbursed to the Commonwealth and those municipalities. In addition to processing monetary assessments on juvenile cases, FHJC was the custodian of 24 cash bails amounting to \$15,765 as of October 31, 2006.

FHJC 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 \$1,083,520 for the period July 1, 2005 to October 31, 2006.

The purpose of our audit was to review FHJC'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 October 31, 2006.

AUDIT RESULTS

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1. IMPROVEMENTS NEEDED IN DOCUMENTING DEPARTMENT WIDE RISK ASSESSMENTS

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Our audit found that the court prepared internal control plans that covered the major operational areas of the court. However, the court did not formally document its risk assessment that would be the starting point for developing the internal control plans. 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 the FHJC conducted an annual physical inventory and reconciled it to the court's perpetual inventory records. However, the inventory records did not contain certain AOTC-required inventory information for its fixed assets. As a result, FHJC's inventory, which was listed at \$85,310 as of October 31, 2006, was undervalued, 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.

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 Franklin/Hampshire Division of the Juvenile Court Department (FHJC) presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Franklin and Hampshire Counties and the Town of Athol in Worcester County. During our audit period, July 1, 2005 to October 31, 2006, FHJC collected revenues totaling \$54,905 which it disbursed to the Commonwealth and those municipalities. The majority (approximately 99%) of revenue collected by FHJC was paid to the Commonwealth as either general or specific state revenue—totaling \$54,395—as follows:

<u>Revenue Category</u>	<u>Total</u>	<u>July 1, 2006 to October 31, 2006</u>	<u>July 1, 2005 to June 30, 2006</u>
Fees	\$ 750	\$ 105	\$ 645
General Revenue	4,248	1,045	3,203
Highway Fines	95	-	95
Head Injury Fees	245	-	245
Victim/Witness Fund	10,805	3,615	7,190
Probation Supervision Fees	16,547	3,835	12,712
Reimbursement for Indigent Counsel	<u>21,705</u>	<u>4,840</u>	<u>16,865</u>
Total	<u>\$ 54,395</u>	<u>\$ 13,440</u>	<u>\$ 40,955</u>

In addition to processing monetary fee assessments on its juvenile cases, FHJC was custodian of approximately 24 cash bails amounting to \$15,765 as of October 31, 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.

FHJC 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 October 31, 2006 totaled \$1,083,520¹.

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 FHJC. The scope of our audit included FHJC's controls over administrative and operational activities, including juvenile case

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.

activity, cash management, payroll time and attendance reporting, the Court Appointed Special Advocates (CASA) program, and inventory, for the period July 1, 2005 to October 31, 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 FHJC'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 FHJC'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 FHJC'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 FHJC'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 FHJC was based on those interviews and the review of documents.

Our recommendations are intended to assist FHJC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that FHJC'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, FHJC (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 DOCUMENTING DEPARTMENT WIDE RISK ASSESSMENTS

Our audit found that the FHJC Clerk-Magistrate's and Probation Offices prepared their respective office internal control plans, but neither office formally documented its risk assessment that would be the starting point for developing the internal control plans. 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 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.

FHJC officials indicated that when the respective internal control plans were developed, office operations were reviewed and those areas at risk were considered, but it did not formally document their risk assessments.

Recommendation

The FHJC Clerk-Magistrate and Probation Offices should formalize, in writing, their risk assessments and modify the internal control plans, if necessary, for any risks not yet addressed. The offices should conduct annual risk assessments and update their respective internal control plans based on the results of these risk assessments, as necessary.

Auditee's Response

The First Justice, Clerk-Magistrate, and Chief Probation Officer provided the following response:

In a court serving two counties with four legislatively mandated sites, we are limited in the staff we can assign to be in total compliance with the Trial Court Internal Control Guidelines. . . . We are very aware of potential problems which could occur . . . and review and assess the risks on a weekly basis. While not documented sufficiently, we as managers are aware of our responsibility to assess these risks and do so on a regular basis.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

Our audit found that the FHJC conducted an annual physical inventory and reconciled it to the court's perpetual inventory records. However, the inventory records did not contain certain AOTC-required inventory information for its fixed assets. As a result, the value of FHJC's inventory, listed at \$85,310 as of October 31, 2006, was undervalued, 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.

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.

Audit tests of the court's fixed assets found that 68% (41 of 60 records tested) of the fixed assets on the court's automated inventory record did not report the cost of the item. Also, audit tests disclosed that 27% (8 of 30 tested) of fixed assets in the care and control of the court did not appear on the automated inventory record. It should be noted that the absence of information pertains primarily to items that were acquired prior to the court being responsible for maintaining inventory information.

According to FHJC personnel, they were aware of the requirement to update the court's inventory with essential inventory information and physically inventory, reconcile, and report its fixed asset inventory on an annual basis, but due to time constraints and not being provided historical information from inventories previously maintained by AOTC, it was unable to comply with AOTC requirements. While conducting on-site audit fieldwork, FHJC staff was in the process of researching old court records to see if they may contain vendor invoices for prior furniture and equipment purchases that would aid in updating its inventory records for cost information, and identifying and updating the inventory for items not previously included.

Recommendation

FHJC staff should continue researching its records and update its inventory with historical costs and fixed assets previously omitted from the inventory record. It should also contact the

prior inventory custodian to see what, if any, historical data their files may contain and use it to update their most recent inventory. Also, a subsequent physical inventory should be performed at fiscal year-end, reconciled to the court's inventory record, and reported in a timely manner.