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INDEPENDENT STATE AUDITOR'S REPORT ON
CERTAIN ACTIVITIES OF THE
WESTFIELD DIVISION OF THE
DISTRICT COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2006 TO DECEMBER 31, 2007

OFFICIAL AUDIT
REPORT
JUNE 20, 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 Westfield Division of the District Court Department (WDC) presides over civil and criminal matters falling within its territorial jurisdiction: the municipalities of Westfield, Chester, Granville, Southwick, Russell, Blandford, Tolland, Montgomery, and Agawam. During the period July 1, 2006 to December 31, 2007, WDC collected revenues totaling \$1,367,669, which it disbursed to the Commonwealth and those municipalities within its jurisdiction. In addition to processing civil entry fees and monetary assessments on criminal cases, WDC was custodian of approximately 200 cash bails totaling \$83,149 as of December 31, 2007.

WDC is also responsible for conducting civil motor vehicle infraction (CMVI) hearings. Although WDC 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.

WDC 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 \$1,300,838 for the period July 1, 2006 to December 31, 2007.

The purpose of our audit was to review WDC'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 December 31, 2007.

AUDIT RESULTS**5**

IMPROVEMENTS NEEDED WITH CONDUCTING RISK ASSESSMENTS TO COMPLETE THE INTERNAL CONTROL PLAN**5**

Our audit found that the Westfield District Court (WDC) has made progress in developing an internal control plan, but some additional work is needed to complete it. WDC prepared internal control documents that outline overall internal control procedures and concepts. However, the WDC did not document its risk assessment, which would be used to determine what internal control procedures are needed to minimize the identified risks. Provisions of AOTC's internal control guidelines require courts to perform periodic risk assessments as part of its internal control plan. As a result, the AOTC's efforts to ensure the integrity of the Court's records and assets were diminished.

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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 Westfield Division of the District Court Department (WDC) presides over civil and criminal matters falling within its territorial jurisdiction: the municipalities of Westfield, Chester, Granville, Southwick, Russell, Blandford, Tolland, Montgomery, and Agawam. During the period July 1, 2006 to December 31, 2007, WDC collected revenues totaling \$1,367,669, which it disbursed to the Commonwealth and the municipalities within its jurisdiction. The majority (approximately 96%) of

revenue collected by WDC was paid to the Commonwealth as either general or specific state revenue – totaling \$1,306,422 - as follows:

Revenue Type	July 1, 2006 to June 30, 2007	July 1, 2007 to December 31, 2007	Total
General Revenue	\$333,340	\$178,666	\$512,006
Miscellaneous	7	2	9
Surcharges	29,734	16,720	46,454
Environmental Fines	550	675	1,225
Victim witness Fund	82,094	37,303	119,397
Alcohol Fees	28,695	13,373	42,068
Probation Fees	300,652	134,792	435,444
Drug Analysis Fund	2,350	275	2,625
Reimburse Indigent Counsel	62,763	25,279	88,042
Victims of Drunk Driving	8,413	3,705	12,118
Indigent Salary Enhancement Trust Fund	2,015	825	2,840
Highway Fund	7,394	4,105	11,499
Head Injury Program	21,902	10,793	32,695
Total	\$879,909	\$426,513	\$1,306,422

In addition to processing civil case-entry fees and monetary fee assessments on criminal cases, WDC was custodian of approximately 200 cash bails amounting to \$83,149 as of December 31, 2007. Bail in the form of cash 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.

WDC 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. WDC 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.

WDC 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 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 of July 1, 2006 to December 31, 2007 totaled \$1,300,838¹.

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 WDC. The scope of our audit included WDC's controls over administrative and operational activities, including cash management, bail funds, and criminal- and civil-case activity, for the period July 1, 2006 to December 31, 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 WDC'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 WDC'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 WDC's Judge's Lobby, Clerk-Magistrate's Office, and Probation Office. We reviewed bail and related criminal-case activity. We also reviewed cash management activity and transactions involving criminal monetary assessments and civil case entry fees to determine whether policies and procedures were being followed.

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 probation staff, and related administrative expenses of the probation office, since they are not identified by court division in the Commonwealth's accounting system.

To achieve our audit objectives, we conducted interviews with management and staff and reviewed prior audit reports, the State Comptroller's Massachusetts Management Accounting and Reporting System reports, AOTC statistical reports, and WDC'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 WDC was based on those interviews and the review of documents.

Our recommendations are intended to assist WDC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that WDC'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, WDC (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

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

Our audit found that the Westfield District Court (WDC) has made progress in developing an internal control plan, but some additional work is needed to complete it. WDC prepared internal control documents that outline overall internal control procedures and concepts. However, the WDC did not document its risk assessment, which would be used to determine what internal control procedures are needed to minimize the identified risks. Provisions of AOTC's internal control guidelines require courts to perform periodic risk assessments as part of its internal control plan. As a result, the AOTC's 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 Commonwealth Internal Control Guide subsequently replaced these internal control guides by streamlining that contained in the previous guides, and incorporating other internal control principles. The OSC again stressed the importance on 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 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.

WDC has prepared internal control documents that outline overall internal control procedures and concepts. However, WDC did not document its risk assessment, which would then be used to determine what internal control procedures are needed to minimize the identified risks. WDC personnel indicated that they were not aware of the need to formally conduct and document their risk assessments.

Recommendation

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

Auditee's Response

The First Justice concurred with our recommendation and noted that court personnel have since attended the AOTC internal control training. He further indicated that the court had documented its important risks, and is in the process of finalizing its internal control plan.