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INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
HAMPDEN DIVISION OF THE
JUVENILE COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2005 TO DECEMBER 31, 2006

OFFICIAL AUDIT
REPORT
DECEMBER 11, 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, which established 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 Hampden Division of the Juvenile Court Department (HJC) presides over juvenile-related matters falling within its territorial jurisdiction: the cities and towns of Hampden County. During the period July 1, 2005 through December 31, 2006, HJC collected revenues totaling \$102,893, which it disbursed to the Commonwealth. In addition to processing monetary assessments on juvenile cases, HJC was the custodian of 356 cash bails amounting to \$39,770 as of December 31, 2006.

HJC 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 \$2,111,363 for the period July 1, 2005 to December 31, 2006. Additionally, HJC was awarded a federal grant of \$200,000 to operate a juvenile drug court for the period September 1, 2005 through February 28, 2007.

The purpose of our audit was to review HJC'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 December 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 HJC maintained perpetual inventory records for its equipment inventory. However, many of the assets did not contain the inventory cost information required by AOTC. As a result, the value of HJC's inventory, listed at \$271,129 as of December 31, 2006, was understated.

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 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 Hampden Division of the Juvenile Court Department (HJC) presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Hampden County. During our audit period, July 1, 2005 to December 31, 2006, HJC collected revenues of \$102,893 and disbursed them to the Commonwealth as either general or specific state revenue. The following table shows the breakdown of the \$102,893 in revenues collected and transferred to the Commonwealth:

<u>Revenue Category</u>	<u>Total</u>	<u>July 1, 2006 to December 31, 2006</u>	<u>July 1, 2005 to June 30, 2006</u>
Fees	\$ 3,915	\$ 1,170	\$ 2,745
General Revenue	16,112	9,083	7,029
Victim/Witness Fund	24,959	7,109	17,850
Probation Supervision Fees	13,153	4,729	8,424
Reimbursement for Indigent Counsel	<u>44,754</u>	<u>12,825</u>	<u>31,929</u>
Total	<u>\$ 102,893</u>	<u>\$ 34,916</u>	<u>\$ 67,977</u>

In addition to processing monetary fee assessments on its juvenile cases, HJC was custodian of approximately 356 cash bails amounting to \$39,770 as of December 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.

HJC 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 December 31, 2006 totaled \$2,111,363¹. Additionally, HJC was awarded a federal grant of \$200,000 to operate a juvenile drug court for the period September 1, 2005 through February 28, 2007.

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 HJC. The scope of our audit included HJC'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 December 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 HJC'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 HJC'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 HJC'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. We did not examine HJC's federal grant activity.

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 HJC'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 HJC was based on those interviews and the review of documents.

Our recommendations are intended to assist HJC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that HJC'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, HJC (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 disclosed that the Hampden Juvenile Court (HJC) has made progress in developing an internal control plan, but some additional work is needed to complete it. HJC prepared internal control documents that outline overall internal control procedures and concepts. However, the HJC did not document its risk assessment, which would be used to determine what internal control procedures are needed to minimize the identified risks. 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. 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...

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 as follows:

[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.

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

Recommendation

HJC should document its risk assessment and make any necessary modifications to their 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 provided the following response:

This is work in progress. The Trial Court Administrative Office is currently holding workshops throughout the state working with all Court Departments assisting them in developing an Internal Control Manual addressing its Risk Assessments.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

Our audit found that HJC maintained perpetual inventory records for equipment inventory. However, many of the assets did not contain the inventory cost information required by AOTC. As a result, the value of HJC's inventory, listed at \$271,129 as of December 31, 2006, was understated.

Effective for fiscal year 2004, 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, 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.

Our analysis of the court's fixed assets inventory list found that 58% (724 of 1,243) of the fixed assets on the court's automated inventory record did not report the cost of the item. Examples of these items include 233 chairs, 44 three drawer file cabinets, 2 photocopy machines, 40 computer printers, and 64 computers and flat screen computer monitors. Many of the items appeared to have been originally purchased about 10 years ago and, according to AOTC guidance, should have had an assigned value of \$100 if the court was unable to document the cost of the items and the equipment was purchased prior to June 30, 1996. The computer equipment was tagged with "ITD" (Information Technology Division) inventory tags, which also note that they are leased items. It should be noted that the absence of cost information pertains primarily to items that were acquired prior to the court being responsible for maintaining inventory information.

HJC personnel were not aware of the requirement to include a cost value of \$100 for items purchased before June 30, 1996 for which they were unable to locate actual cost records. With respect to the cost value for centrally purchased items and ITD computer equipment, HJC was unable to obtain cost information for these central appropriation account purchases. While

conducting on site audit fieldwork, HJC staff were 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.

Recommendation

HJC staff should continue researching its records and update its inventory with historical cost information, if available. For items purchased prior to June 30, 1996, the court should enter the cost information as \$100, in accordance with AOTC guidance. The court 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.

Auditee's Response

The First Justice provided the following response:

Under Court Expansion purchases were made by the Administrative Office of the Trial Court Capital Projects Department. Hampden Juvenile was not given a print-out or invoices with costs relative to the furnishing of said court sites. After extensive research Hampden Juvenile Court has followed the recommendations made (above) and entered the cost information as \$100, in accordance with AOTC guidance.