



Commonwealth of Massachusetts
Office of the State Auditor
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Official Audit Report-Issued February 26, 2013

Worcester Division of the Juvenile Court Department
For the period July 1, 2010 through June 30, 2011



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Worcester Division of the Juvenile Court Department (WJC) presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Worcester County. WJC operations are funded by appropriations under the control of the Administrative Office of the Trial Court (AOTC) and the Office of the Commissioner of Probation. During our audit period, July 1, 2010 through June 30, 2011, WJC collected revenues of \$56,858, which it transferred to the Commonwealth, into the applicable revenue account. Revenues are generally paid in cash, but certain circumstances allow for the waiving of fees or performance of community service (unpaid work) in lieu of cash payment of certain fees. In addition to processing monetary fee assessments and community service on its juvenile cases, WJC was custodian of approximately 55 cash bails, totaling \$19,666, as of June 30, 2011. 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.

Our audit objectives were to (1) assess the adequacy of WJC's internal controls over the collection and processing of revenues, community service in lieu of payment of fees, bail funds, payroll time and attendance reporting, and inventory; (2) determine whether court records in support of revenue, bails, community service, payroll time and attendance, and inventory are complete, accurate, up to date, and in compliance with applicable state laws, rules, and regulations and AOTC and Juvenile Court Department policies and procedures and (3) follow up on the issues identified in our prior audit of WJC (No. 2006-1246-3O).

Highlight of Audit Findings

- Our prior audit of WJC, which covered the period July 1, 2004 through June 30, 2006, disclosed that WJC had not developed an internal control plan for its Clerk-Magistrate's Office and did not formally document an annual risk assessment for its Probation Department as required by state law and AOTC regulations. Our current audit found that WJC had fully implemented our prior audit recommendations to address these problems.
- Our prior audit found that WJC inventory records did not contain certain AOTC-required inventory information (e.g., date received, item cost) for WJC's fixed assets. Our current audit found that the inventory records for purchases made after our prior audit report was issued still do not contain this information. As a result, WJC's recorded amount of fixed asset inventory as of June 30, 2011 is understated.

Recommendations of the State Auditor

- WJC staff should continue to work with AOTC to update WJC's inventory list for the missing acquisition dates and cost of inventory items.

OVERVIEW OF AUDITED AGENCY

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 Justice for Administration and Management (CJAM), who is also responsible for the overall management of the Trial Court. The CJAM 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 case management 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, 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. Each 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, whereas the Clerk-Magistrate and the Chief Probation Officer are responsible for the internal administration of their respective offices. The Worcester Division of the Juvenile Court Department’s (WJC’s) operations are funded by appropriations under the control of AOTC and the Office of the Commissioner of Probation.

WJC presides over juvenile-related matters falling within its territorial jurisdiction of the cities and towns of Worcester County. During our audit period, July 1, 2010 through June 30, 2011, WJC collected revenues of \$56,858 which it transferred to the Commonwealth. Revenues are generally paid in cash, but certain circumstances allow for the waiving of fees or performance of community service (unpaid work) in lieu of cash payment of certain fees.

In addition to processing monetary fee assessments and community service on its juvenile cases, WJC was custodian of approximately 55 cash bails, totaling \$19,666, as of June 30, 2011. 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.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted an audit of the Worcester Division of the Juvenile Court Department (WJC). The scope of our audit included an examination of WJC's controls over administrative and operational activities, including fees, bail funds, community service, payroll time and attendance reporting, and inventory for the period July 1, 2010 through June 30, 2011.

We conducted this performance audit in accordance with applicable generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit objectives were to (1) assess the adequacy of WJC's internal controls over the collection and processing of revenues, community service in lieu of payment of fees, bail funds, payroll time and attendance reporting, and inventory; (2) determine whether court records in support of revenue, bail, community service, payroll time and attendance, and inventory are complete, accurate, up to date and in compliance with applicable state laws, rules, and regulations and the Administrative Office of the Trial Court's and the Juvenile Court Department's policies and procedures; and (3) follow up on the issues identified in our prior audit of WJC (No. 2006-1246-3O).

Our review encompassed the activities and operations of WJC's Judge's Lobby, Clerk-Magistrate's Office, and Probation Office. We reviewed revenue collection and processing activities, community service activity, bail fund 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 WJC management and other staff and reviewed OSA audit report (No. 2006-1246-3O), the Office of the State Comptroller's Massachusetts Management Accounting and Reporting System reports, and WJC'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 WJC was based on those interviews and the review of documents. Also, for the purposes of our audit, we used judgmental sampling during our examination of

revenue, community service, bail funds, payroll time and attendance, and inventory and believe that the evidence obtained provides a reasonable basis for our findings and conclusions. In addition, to assess the reliability of WJC's inventory data, we reviewed existing documentation related to the data sources, electronically tested the data to identify obvious problems with completeness or accuracy, and interviewed knowledgeable agency officials about the data. We determined that the data was sufficiently reliable for the purpose of this report.

Based on our audit, we determined that, except for the issues noted in the Audit Findings section of this report, for the period July 1, 2010 through June 30, 2011, WJC maintained adequate internal controls, accurate and complete records, and complied with applicable laws, rules, and regulations for the areas tested.

AUDIT FINDINGS

1. PRIOR AUDIT FINDING RESOLVED – IMPROVEMENTS MADE IN DEVELOPING AN INTERNAL CONTROL PLAN AND CONDUCTING PERIODIC RISK ASSESSMENTS

Our prior audit of the Worcester Division of the Juvenile Court Department (WJC) (No. 2006-1246-3O), which covered the period July 1, 2004 through June 30, 2006, disclosed that WJC did not develop an internal control plan for its Clerk-Magistrate's Office and did not formally document an annual risk assessment for its Probation Department as required by Chapter 647 of the Acts of 1989 and Administrative Office of the Trial Court (AOTC) guidelines. At that time, we recommended that WJC review AOTC's Internal Control Guidelines, conduct a risk assessment, and formally document that its internal control plan addressed the risks and internal control requirements specific to its operations. Further, we recommended that WJC conduct annual risk assessments and update its internal control plan based on the results of these risk assessments, as necessary.

Our follow-up audit found that WJC implemented our prior audit recommendations. Specifically, WJC staff conducted a department-wide risk assessment and developed an internal control plan according to state law and AOTC rules and regulations.

2. PRIOR AUDIT FINDING UNRESOLVED – INVENTORY CONTROL IMPROVEMENTS NEEDED

Our prior audit disclosed that although WJC conducted an annual physical inventory and reconciled it to the court's perpetual inventory records, the inventory records did not contain certain AOTC-required inventory information for WJC's fixed assets. Effective for fiscal year 2005, the responsibility for preparing and reporting the fixed assets inventory was transferred from AOTC to each court division. However, some of the older items in WJC's inventory did not have acquisition dates or costs. At that time we recommended that WJC research its records and update its inventory with historical cost, acquisition dates, and any other missing information.

Our follow-up audit found that WJC continues to perform an annual physical inventory of its fixed assets and reconciles it to the court's perpetual inventory records. However, our review of the inventory records for purchases made after our prior audit report was issued disclosed that these records still do not contain certain AOTC-required inventory information for WJC's fixed assets (e.g., date acquired, item cost), resulting in an understatement of the fixed asset inventory as of June 30, 2011.

In early September 2007, WJC moved its headquarters to a new courthouse located at 225 Main Street, Worcester. The majority of the furniture and equipment for the new location was purchased by AOTC, with only a small number of items moved from the old courthouse. According to WJC officials, they were not provided with all the required inventory data for the new purchases from AOTC. Therefore, some of the essential inventory information is not contained in the inventory list for almost half of the new purchases. Specifically, since the OSA's prior audit, WJC has a total of 677 new items in its inventory, of which 323 (47.7%) have certain required information missing. The majority of the 323 items did not have the acquisition date listed, and there were 36 items (5.3%) missing the item cost. As a result, the value of WJC's inventory, listed at \$556,264 as of June 30, 2011, was understated by the cost of these 36 items.

Recommendation

WJC staff should continue to work with AOTC to update its current inventory list with the missing data, historical cost, and acquisition dates. In addition, when WJC reconciles the annual physical inventory to its perpetual inventory records, it should verify that all required information is listed for its fixed assets and update all listings with missing information.

Auditee's Response

The first justice disagrees that the inventory issues cited in the previous audit remain unresolved. Indeed, the issue raised in the previous audit cited a lack of documentation regarding the cost and date of receipt for fixed-assets inventory received and controlled by the AOTC. (Some of those items dated back twenty years.) At the time of the previous audit the first justice responded to that concern as follows:

"It is clear from the audit that the Worcester Juvenile Court has effectively managed its inventory since said responsibility was transferred from the AOTC to the Court. The audit report indicates that older inventory items are lacking required information, such as the date received or the cost of the item. Responsibility for all of the missing information falls squarely within the purview of the AOTC since the Juvenile Court was not responsible for maintaining such information at the date of acquisition. The Worcester Juvenile Court has attempted to trace this historical data by researching records as far back as twenty years. We will continue to pursue the information, but it remains unlikely that any further documentation will become available to the Court."

Ultimately, this court resolved the issue raised in the 2006 audit by relying on the AOTC's "Fiscal Year 2004 Memo #16 on Equipment Inventory-New Procedures," dated May 28, 2004. The directive states, "If you do not have records of equipment purchased before 6/30/1996, then enter 6/30/96 in the 'date received' fields and \$100 in the 'cost' fields." Accordingly, all fixed-assets inventory older than sixteen years old and missing cost and/or received dates were recorded pursuant to this directive.

The concern raised in the current audit relates only to an oversight of the probation department regarding documentation of the date that certain items were "received" by the court and a lack

of documentation regarding the cost of certain items received by the probation department and judge's lobby after the 2006 audit. As noted in the exit interview with auditors, the Division of Capital Asset Management received all of the items in question. These assets were placed in the newly constructed multi-court facility in September prior to this court's occupancy in the new facility from the previous site on Highland St.

Regarding the "cost" of certain items, the Chief Probation Officer reports that "the WCJC Probation Department's recording of dates and amounts for Fixed-Assets Inventory is being addressed, specifically, through updating the Worcester Office's Inventory lists. For items received as of the date of our occupancy in the Worcester Court Complex, the date of 9/10/07 has been recorded. We have made specific requests for costs of those same items, which were supplied through the Division of Capital Asset Management, One Ashburton Place, Boston, MA, as part of this move. To this date, we have not received cost values, but continue to pursue this issue."

There have been requests made by the Judge's lobby staff to the Division of Capital Asset Management for the cost of items that are missing such information. As is the case with the probation department, all requests have gone unanswered. Because the juvenile court was not present on site . . . when the items were received, no information is available regarding such costs except through the Division of Capital Asset Management. The procurement department of the AOTC does not have this information. We will continue to pursue the information and when received, the information will be recorded.

It is important to note that every item received by the Worcester Juvenile Court just prior to and following occupancy of the multi-court facility is accounted for, and the OSA found no missing inventory. It is also important to note that no other deficiencies, other than these ministerial matters were noted in the audit. Indeed, the court's internal controls and record keeping regarding the collection and processing of fees, community service documentation, payroll time/attendance reporting, and bail funds were assessed by the audit as being complete, accurate, up to date and in complete compliance with applicable state laws, rules, regulations as well as the policies and procedures of the AOTC and the Administrative Office of the Juvenile Court.

Auditor's Reply

As noted in our report, our review of the inventory lists from all WJC locations disclosed that there were inventory items, both old and new, that still did not have the required information. Furthermore, for this audit we tried to focus and report on the purchases made after our prior audit because the cost and other required information for those purchases should be more readily attainable. The Worcester court location of the WJC was the only office with new purchases, and since the majority of the inventory items on the Worcester lists were new, we concentrated on the inventory lists from that location. The fact that this type of omission continued to occur after our previous audit suggests that this is an ongoing problem that still needs to be resolved.

With regard to the response to the prior audit stating that WJC has effectively managed its inventory since the responsibility was transferred from AOTC, we found that this was not the case because the

new purchases were not recorded completely on the court's inventory lists. The response that the court resolved the issue raised in the OSA's 2006 audit by relying on AOTC's "Fiscal Year 2004 Memo #16 on Equipment Inventory-New Procedures," dated May 28, 2004, was also not accurate; we found listings that appeared, from the tag number, to have been purchased before June 30, 1996, but did not include the cost of \$100 and the received date of June 30, 1996 as directed in the memo. Consequently, WJC should continue to pursue the missing information for the new purchases and should refer to AOTC's "Fiscal Year 2009 – Memo #8 on Equipment Inventory – Updated Procedures," dated October 3, 2008, for guidance on the older inventory listings that still lack the required information. This directive states, "In instances where documentation is unavailable, courts and offices should use the attached listing . . . as the approximate cost of the equipment and a purchase date of July 1, 2000."