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**INDEPENDENT STATE AUDITOR'S REPORT
ON CERTAIN ACTIVITIES OF THE
WORCESTER DIVISION OF THE
JUVENILE COURT DEPARTMENT OF THE
MASSACHUSETTS TRIAL COURT
JULY 1, 2004 TO JUNE 30, 2006**

**OFFICIAL AUDIT
REPORT
MARCH 20, 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 Worcester Division of the Juvenile Court Department (WJC) presides over juvenile-related matters falling within its territorial jurisdiction: the cities and towns of Worcester County. During the period July 1, 2004 through June 30, 2006, WJC collected revenues of \$229,238 and disbursed them to the Commonwealth and those municipalities. In addition to processing monetary assessments on juvenile cases, WJC was the custodian of 187 cash bails amounting to \$21,090 as of June 30, 2006.

WJC 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 \$2,325,434 for the period July 1, 2004 to June 30, 2006.

The purpose of our audit was to review WJC'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, 2004 to June 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 the WJC Clerk-Magistrate's Office did not develop an internal control plan or conduct periodic risk assessments as required by state law and AOTC rules and regulations. The Probation Office prepared an internal control plan, but did not formally document its risk assessment. 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 WJC 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, WJC's inventory, which was estimated to be \$112,168 as of June 30, 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 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. During our audit period, July 1, 2004 to June 30, 2006, WJC collected revenues of \$229,238 and disbursed them to the Commonwealth as either general or specific state revenue. The following table shows the breakdown of the \$229,238 in revenues collected and transferred to the Commonwealth:

<u>Revenue Category</u>	<u>Total</u>	<u>July 1, 2005 to June 30, 2006</u>	<u>July 1, 2004 to June 30, 2005</u>
Fees	\$ 2,220	\$ 930	\$ 1,290
General Revenue	43,680	19,432	24,248
Miscellaneous	622	9	613
Head Injury Fees	50	--	50
Victim/Witness Fund	29,555	13,409	16,146
Alcohol Fees	350	--	350
Probation Supervision Fees	23,877	8,820	15,057
Reimbursement for Indigent Counsel	<u>128,884</u>	<u>41,076</u>	<u>87,808</u>
Total	<u>\$ 229,238</u>	<u>\$ 83,676</u>	<u>\$ 145,562</u>

In addition to processing monetary fee assessments on its juvenile cases, WJC was custodian of approximately 187 cash bails amounting to \$21,090 as of June 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.

WJC operations are funded by appropriations under the control of either the Division (local) or the AOTC or the Office of the Commissioner of Probation (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, 2004 to June 30, 2006 totaled \$2,325,434¹.

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 WJC. The scope of our audit

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.

included WJC'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, 2004 to June 30, 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 WJC'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 WJC'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 WJC'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 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.

Our recommendations are intended to assist WJC in developing, implementing, or improving internal controls and overall financial and administrative operations to ensure that WJC'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, WJC (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 WJC Clerk-Magistrate's Office did not formalize its internal control plan or conduct periodic risk assessments as required by state law and AOTC rules and regulations. The Probation Office prepared an internal control plan, but did not formally document its risk assessment. 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 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.

A WJC Probation Office official indicated that when the office internal control plan was developed, office operations were reviewed and those areas at risk were considered, but it did not formally document its risk assessment. WJC Clerk-Magistrate's Office personnel stated that they thought maintaining printed copies of internal control related emails and memos along with the various AOTC policies and procedures manuals constituted the court's internal control plan. 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 available OSC internal control guidance materials. While we were conducting on-site audit fieldwork, the Clerk-Magistrate's Office personnel were in the process of assembling the office's internal control plan document.

Recommendation

The WJC Probation Office should formalize, in writing, its risk assessment and modify its internal control plan, if necessary, for any risks not yet addressed. The WJC Clerk-Magistrate's Office 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. Moreover, WJC should conduct annual risk assessments and update their internal control plans based on the results of these risk assessments, as necessary.

Auditee's Response

The First Justice provided the following response:

Regarding the recommendation for developing an internal control plan and conducting periodic risk assessments, the Clerk Magistrate and Chief Probation Officer are responsible for conducting risk assessments to verify that the 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 of certain administrative and operational activities are effective and maintain compliance with applicable laws, rules and regulations, other state guidelines and AOTC and JCD policies and procedures in their respective departments.

As indicated in the recommendations of the State Auditor's Report, the CPO has a written internal control plan, in the form of the WJC Probation Department Local Policies and Procedures Manual, that identifies and designates each specific procedure and employee(s) responsible for carrying out those duties, as well as, identifying the process and employee(s) designated to verify that the process has been performed efficiently, in the areas of administrative and operational activities, juvenile case activity and payroll time and attendance procedures. The Clerk Magistrate and CPO are currently formalizing a plan for periodic risk assessments.

2. INVENTORY CONTROL IMPROVEMENTS NEEDED

Our audit found that the WJC 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 WJC's inventory, listed at \$112,168 as of June 30, 2006, was understated, 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 2005, the responsibility for preparing and reporting the fixed asset inventory was 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.

Audit tests of the court's inventory records found that while WJC staff promptly entered essential information about newly acquired assets to its inventory records (including the item's vendor, manufacturer, and serial number and updated its inventory record with historical information for some older inventory items, 67% of its inventory items did not contain required information (i.e. date received and item cost). 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 WJC personnel, they were aware of the requirement to update the court's inventory with essential inventory information, but due to time constraints and not being provided historical information from inventories previously maintained by AOTC, it was unable to include all essential elements on its most recent inventory. While conducting on site audit fieldwork, WJC 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.

Recommendation

WJC staff should continue researching its records and update its inventory with historical cost, acquisition and other data. 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.

Auditee's Response

The First Justice provided the following response:

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.