



Commonwealth of Massachusetts
Office of the State Auditor
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Making government work better

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Norfolk County District Attorney's Office

For the period July 1, 2010 through December 31, 2011



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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

The Norfolk County District Attorney's Office (NCDA) was established under the provisions of Chapter 12, Sections 12 and 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws (Claims and Indemnity Procedures for the Commonwealth, Its Municipalities, Counties and Districts, and the Officers and Employees Thereof).

NCDA is one of 11 District Attorney (DA) offices located throughout the Commonwealth. DA offices represent the Commonwealth in most criminal proceedings brought by complaint in the District Courts, as well as indictment in the Superior Courts. DA offices also represent the Commonwealth before grand juries and assist with investigations of criminal activities as well as victim-witness assistance services. Further, DA offices provide outreach services into local communities and schools, discussing topics such as bullying/harassment, Internet and cyber-safety programs, drug and alcohol use, identity theft and domestic violence.

As of December 31, 2011, NCDA had 127 employees, including prosecutors/assistant DAs and administrative and program staff employees, who represent and serve approximately 670,850 citizens of the Commonwealth in criminal and civil proceedings, within a jurisdiction of 28 communities encompassing two cities and 26 towns in Norfolk County.

This audit, which covered the period July 1, 2010 through December 31, 2011, was initiated to review the internal controls established by NCDA over certain aspects of its operations. Specifically, we reviewed the internal controls established by NCDA in the following areas: revenue collection, expenditures, financial reporting, and the inventory of assets. We also reviewed various aspects of NCDA's fiscal and programmatic activities such as victim-witness assistance and asset forfeiture. Finally, we followed up on an issue raised in our prior audit of NCDA (Audit Report No. 2007-1258-3S).

Highlight of Audit Findings

- Our prior audit report noted that NCDA had not developed and implemented an internal control plan (ICP), contrary to Chapter 647 of the Acts of 1989 and Office of the State Comptroller (OSC) requirements. Our current audit revealed that NCDA had developed and

implemented an ICP and performed a comprehensive risk assessment as recommended in our prior audit report.

- Improvements needed in the accounting and reporting of the fixed asset inventory: Our audit revealed the following deficiencies: (1) Four out of fifty items were recorded twice on two separate inventory lists; (2) some inventory items were missing information such as the purchase cost and date of acquisition; and (3) a motor vehicle used for law enforcement purposes was not recorded on any inventory listing.

Recommendations of the State Auditor

- NCDA should ensure that the inventory of fixed assets is accurately maintained in accordance with OSC guidelines by (1) cross-referencing its two inventory lists and deleting duplicated items accordingly; (2) updating the fixed asset inventory listings with the missing information, i.e., purchase cost or value and date of acquisition; and (3) recording the motor vehicle used for law enforcement purposes on a fixed asset inventory list.

OVERVIEW OF AUDITED AGENCY

The Norfolk County District Attorney's Office (NCDA) was established under the provisions of Chapter 12, Sections 12 and 13, of the Massachusetts General Laws, which provides for the administration of criminal law and the defense of civil actions brought against the Commonwealth in accordance with Chapter 258 of the General Laws (Claims and Indemnity Procedures for the Commonwealth, Its Municipalities, Counties and Districts, and the Officers and Employees Thereof). Norfolk County encompasses two cities and twenty-six towns, representing approximately 670,850 citizens. NCDA represents the Commonwealth in criminal and civil proceedings in five district courts, two juvenile courts, and one superior court within the county. NCDA represents the Commonwealth at bail hearings, commitment proceedings related to criminal matters, and the presentation of evidence in all inquests and rendition proceedings, and assists with the investigation of a variety of criminal activities. Other activities involving NCDA include child abuse investigations, educational programs, and victim-witness assistance services. NCDA maintains its main administrative office in Canton and has satellite offices in Dedham, Quincy, Wrentham, Stoughton, and Brookline to carry out its functions and responsibilities.

For the fiscal year ending June 30, 2011 and (as of December 31, 2011) for the fiscal year ending June 30, 2012, the NCDA received state maintenance appropriations to fund its administrative operations totaling \$7,810,090 and \$8,200,596 respectively. In addition, NCDA received \$1,128,805 during the first of these fiscal periods, and \$1,110,070 during the second, in special state appropriations and funding from other sources, which included state forfeitures, overtime for state police investigations, the witness protection board, and a Violence against Women Act grant to support various programs.

AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, we have conducted an audit of certain activities of the Norfolk County District Attorney's Office (NCDA) for the period July 1, 2010 through December 31, 2011. The objectives of our audit were to (1) review NCDA's internal control plan (ICP) and its internal controls over various financial and programmatic activities, including revenue collection, expenditures, financial reporting, and the inventory of fixed assets; (2) determine whether NCDA's financial records are accurate and are being maintained in accordance with established criteria; (3) determine whether certain agency expenditures, including payroll, program, and administrative costs, are appropriate and reasonable; (4) determine whether advanced expenses are processed properly with supporting documentation; and (5) determine whether the controls over funds received from the witness protection board are adequate and said funds are being used for their intended purposes. We also conducted a follow-up review of NCDA's progress in addressing the issues noted in our prior audit report (No. 2007-1258-3S).

We conducted this performance audit in accordance with 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.

To achieve our audit objectives, we conducted interviews with appropriate NCDA officials and reviewed the following:

- Applicable Massachusetts General Laws and state regulations, the Office of the State Comptroller's (OSC's) Internal Control Guide, and Chapter 647 of the Acts of 1989 (An Act Relative to Improving the Internal Controls within State Agencies).
- NCDA's budgetary process and spending plan.
- NCDA's ICP, risk assessment, and internal control structure, along with existing verbal and written administrative and accounting policies and procedures.
- NCDA's financial records to determine whether they were accurate and up to date.
- Non-statistical selections of NCDA revenues (forfeited funds), grants, expenditures, inventory, advances, and payroll transactions to verify that these transactions were

appropriately accounted for, recorded, and safeguarded in accordance with established criteria.

- NCDA's inventory control system for furnishings and equipment during our audit period.
- NCDA's controls over the witness protection board to determine whether funds were used for their intended purposes.
- The internal control plan that NCDA developed in response to our prior audit report (No. 2007-1258-3S) to determine its progress.

We obtained appropriation, grant award, and expenditure information from systems maintained by the Commonwealth, as well as forfeited fund case activity from systems maintained by the Massachusetts District Attorneys Association. We compared this information with outside source documents and interviewed knowledgeable NCDA officials about the data. We determined that the data was sufficiently reliable for the purposes of this report.

Our recommendations are intended to assist NCDA in developing, implementing, or improving internal controls and overall financial administrative operations to ensure that the NCDA systems covering revenue, including forfeited funds and selected grants; expenditures, including payroll, program, and administrative costs; and inventory operate in an economical, efficient, and effective manner and in compliance with applicable laws, rules, and regulations.

Except for the issues addressed in the Audit Findings section of this report, for the period July 1, 2010 through December 31, 2011, NCDA maintained adequate internal controls over its financial operations and program activities for the areas tested.

AUDIT FINDINGS

1. PRIOR AUDIT RESULTS RESOLVED – INTERNAL CONTROL PLAN DEVELOPED AND IMPLEMENTED AS REQUIRED BY CHAPTER 647 OF THE ACTS OF 1989

Our prior audit report (No. 2007-1258-3S) disclosed that the Norfolk County District Attorney's Office (NCDA) had not performed risk assessments of its financial system or prepared an internal control plan (ICP) compliant with Chapter 647 of the Acts of 1989 (An Act Relative to Improving the Internal Controls within State Agencies) and Office of the State Comptroller (OSC) requirements. Chapter 647 of the Acts of 1989 requires that agencies develop an ICP in accordance with OSC guidelines. Although NCDA had various departmental policies and procedures documenting its administrative and accounting internal controls, it had not identified risks, nor did it have a high-level summarization of its internal control system, e.g., an ICP. Without an adequate ICP, NCDA cannot be sure that it is safeguarding its assets against loss, theft, and abuse. Officials had stated during our prior audit that they would review existing internal control policies, procedures, and practices and produce an ICP. Our current audit revealed that NCDA had performed a comprehensive risk assessment of its accounting systems and had developed and implemented an ICP compliant with Chapter 647 of the Acts of 1989 and OSC requirements.

2. IMPROVEMENTS NEEDED IN THE ACCOUNTING OF FIXED ASSET INVENTORY

Our audit found that NCDA was not fully compliant with OSC regulations regarding the accounting and reporting of non-Generally Accepted Accounting Principles (GAAP) fixed asset furniture and equipment inventory. Although NCDA maintained lists of its fixed assets, they did not accurately represent the entire fixed asset inventory, as certain items were listed concurrently on two listings. Furthermore, the lists lacked pertinent identifying information on some items listed, and the combined two inventory lists did not include a law enforcement vehicle NCDA acquired in 2010.

Non-GAAP fixed assets are defined as singular assets and include such items as vehicles, equipment, furniture, electronic devices, computer software, and all electrical computer components with a useful life in excess of one year and an original cost between \$1,000 and \$49,999. However, NCDA records non-GAAP fixed assets with an original cost between \$50 and \$49,999.

OSC's Internal Control Guide for Commonwealth Departments requires that fixed assets be properly accounted for and safeguarded to ensure that they are available and used as intended. The OSC Fixed Asset Acquisition Policy issued July 1, 2004 and revised November 1, 2006 states that non-GAAP fixed assets must be recorded in a department's inventory and reconciled at least annually. This inventory can be either electronic or on paper, as long as it records the date of purchase, amount, description, location, and disposition of an item.

Also, NCDA's internal control policies and procedures state that designated agency personnel must conduct annual reviews and physical counts of its fixed asset inventory in accordance with OSC's requirements.

Our audit revealed that NCDA did conduct annual physical counts of its fixed assets during our audit period; however, we found the following deficiencies:

- NCDA had two separate lists of fixed assets; one list recorded furniture and equipment assets, and one list recorded information-technology-related assets. Each list was overseen by a different employee. A non-statistical sample test of 50 fixed asset items revealed that four items were recorded on both inventory lists. This problem occurred because NCDA personnel did not compare and trace individual inventory items on each list and thereby identify duplicate entries. Because duplicate entries were not identified and removed, the lists do not adequately provide management with a sound and reliable mechanism to control and monitor non-GAAP fixed assets. Many items on NCDA's departmental inventory lists – furniture and equipment and the information-technology-related assets – did not include relevant information such as historical cost and asset acquisition date. The lists did, however, document fixed asset descriptions, inventory control numbers, and assigned locations. Specifically, NCDA listed a total inventory of 2,279 items. The actual inventory count of fixed assets may be less than 2,279 because some items appeared on both departmental inventory lists; we did not perform physical counts of all fixed assets. However, of the items listed, the historical cost was not recorded for 1,786 items (78.4% of the total), and the acquisition date was not recorded for 1,802 items (79.1% of the total). According to officials at NCDA, the missing information had not been included with the items when they were placed on the fixed asset inventory. Because the cost and acquisition data is not available for these fixed asset items, the total value of the fixed asset inventory in the custody of NCDA cannot be ascertained.
- A forfeited motor vehicle used by NCDA for law enforcement purposes, with a value of \$19,951, was not recorded on any inventory list. NCDA took possession of the motor vehicle on December 10, 2010. Officials at NCDA told us that the vehicle was not listed on the inventory because the office did not want to publicize details about its existence.

Recommendation

NCDA should establish controls over its non-GAAP fixed asset inventory and maintain records in accordance with OSC guidelines and its own internal control policies and procedures as follows:

- Reconcile the assets recorded on the departmental lists for furniture and equipment and the information-technology-related equipment at least annually to ensure that duplicate items are not recorded on more than one inventory list.
- Ensure that all fixed assets listed are assigned a historical cost amount if possible, or otherwise a fair market value, along with the acquisition date if possible, or otherwise an estimated date.
- Add the non-GAAP forfeited motor vehicle used for law enforcement purposes to a fixed asset inventory list.
- Revise the current NCDA fixed asset recording threshold of \$50 to an amount closer to the OSC minimum of \$1,000.

Auditee's Response

In response to this issue, NCDA stated, in part:

We plan to implement a new inventory system which will combine our furniture and computer inventory lists into one list using the WASP Complete Mobile 1000II Solution. This system will enable NDAO [the Norfolk District Attorney's Office] to check assets, perform inventory audits in the field, move, add or remove assets and sync this information back to NFK PCs to instantly update NDAO's inventory database.

We believe the inventory does reflect all of our assets; if anything, we are over reporting in that four items were registered on both the computer and furniture inventory lists. . . .

With regard to the lack of historical cost and asset acquisition dates NDAO began recording new purchases with the acquisition date and cost, and will continue to do so going forward. As suggested in the draft audit report, we will assign an estimated cost and acquisition date to the items where historical cost and asset acquisition data are missing. . . .

We have placed the NDAO law enforcement vehicle on the inventory list as suggested.

We believe that a \$1,000 inventory threshold is too high in that it would negate placing desktop computers, chairs, desks, file cabinets, tables, etc. on the inventory list. We believe using a \$1,000 threshold would make us susceptible to fraud, waste and abuse. We plan to change our policy to \$250.00.