

STATE OF CONNECTICUT

**AUDITORS' REPORT
JUDICIAL DEPARTMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
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April 11, 2001

**AUDITORS' REPORT
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We have examined the financial records of the Judicial Department for the fiscal years ended June 30, 1999 and 2000. This report on our examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

The financial statement presentation and auditing of the books and accounts of the State are done on a Statewide Single Audit basis to include all State agencies including the Judicial Department. This audit examination has been limited to assessing compliance with certain provisions of financial related laws, regulations, contracts and grants and evaluating internal control structure policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD:

The Judicial Department operates under the provisions of Article Fifth of the Constitution of the State of Connecticut and Title 51, Chapter 870, of the General Statutes.

The Judicial Department is headed by the Chief Justice of the Supreme Court who is responsible for the administration of the Department. Daily operations of the Department are under the direction of the Chief Court Administrator who is responsible for the efficient and proper administration of judicial business. Included within the Judicial Department are the Supreme Court, the Appellate Court, the Superior Court and the various Courts of Probate.

The Supreme Court is the State's highest court. It must hear certain appeals from decisions of the Superior Court and it has discretion whether to grant review of causes decided by the Appellate Court. It also has authority to transfer to itself any cause in the Appellate Court and, except certain original actions (as provided by Article XXVI of the Amendments to the Connecticut Constitution); it may transfer a cause or class of causes from itself to the Appellate Court. The Appellate Court is an intermediate court of appeals.

The Honorable Robert J. Callahan served as Chief Justice of the Supreme Court during the audited period until September 15, 1999 when he was replaced by the Honorable Francis M. McDonald. The Honorable Aaron Ment served as Chief Court Administrator until January 4, 1999 when he was replaced by the Honorable Robert C. Leuba.

The Superior Court is the sole court of original jurisdiction for all causes of action except for (1) such actions over which the courts of probate have original jurisdiction, as provided by statute, and (2) the very limited number of actions over which the Supreme Court has original jurisdiction, as provided by the Constitution. During the period under review, the State was divided into 12 Judicial Districts and 22 Geographical Areas for purposes of applying venue in civil and criminal matters. There were also 13 Districts for the application of venue laws in juvenile matters and there were six separate courts established within various Judicial Districts solely for hearing housing matters. There also continued to be a tax session court located in Hartford. In addition, there was a Statewide Centralized Infractions Bureau for processing infractions, certain motor vehicle violations and certain minor criminal matters.

All aspects of the Judicial Department's financial operations are covered in this report with the following exceptions. The Office of the Probate Court Administrator is an agency within the Judicial Department and is reported on separately by us. However, the individual local Courts of Probate are subject to audit by the Probate Court Administrator and are not audited by us. Similarly, the Public Defender Services Commission is an autonomous body within the Judicial Department and is reported on separately.

RÉSUMÉ OF OPERATIONS:

Revenues and Receipts:

Revenues and receipts of the Department consisted primarily of the fines and fees collected at the various locations of the Superior Court and by its Centralized Infractions Bureau. All such receipts are credited initially to the Fines Awaiting Distributions Fund (7002), which totaled \$76,126,025 and \$78,807,906 for the 1998-99 and 1999-2000 fiscal years, respectively. Disbursements for the Fines Awaiting Distribution Fund consist of transfers to the following funds according to the provisions of the various statutes under which the fines and fees are levied.

	<u>Fiscal Year Ended June 30,</u>	
	<u>1999</u>	<u>2000</u>
Transfer to Criminal Injury Compensation Fund	\$1,372,694	\$1,361,754
Transfer to General Fund	47,122,175	47,092,687
Transfer to Special Transportation Fund	27,653,180	30,906,837

All other transfers	1770	
Fines distributed to towns	<u>154,993</u>	<u>169,874</u>
Total 7002 Fund Disbursements	<u>\$76,303,042</u>	<u>\$79,532,922</u>

Parking fines are paid out to the towns in which the infractions occurred.

General Fund receipts, in addition to the transfers from the Fines Awaiting Distribution Fund, totaled \$18,821,422 and \$18,779,016 for the 1998-99 and 1999-00 fiscal years, respectively. The major components of this revenue were Federal grant receipts that were \$10,702,039 and \$9,665,072 for the 1998-99 and 1999-00 fiscal years, respectively. Other significant revenues resulted from fees deposited to the Client Security Fund, investment income and sales of the Commission on Official Legal Publications (COLP).

Under Section 51-81d of the General Statutes, a Client Security Fund was established during the 1998-99 fiscal year as a General Fund restricted account. The Fund is used for reimbursing claims for losses caused by the dishonest conduct of attorneys and is financed by an annual \$75 assessment paid by attorneys practicing in the State. Such fees totaled approximately \$1,475,000 and \$2,045,000 for the 1998-99 and 1999-00 fiscal years, respectively.

In accordance with Section 51-52, subsection (e), of the General Statutes, excess funds from the Department's Clerk's Trust Accounts are deposited in the State Treasurer's Short Term Investment Fund (STIF). Investment income from STIF was deposited in the General Fund and totaled \$1,102,0342 and \$1,688,350 for the 1998-99 and 1999-00 fiscal years, respectively. The increase in investment income was due to the rise in interest rates and the increases in available balances.

COLP sales totaled \$680,287 and \$693,962 for the 1998-99 and 1999-00 fiscal years, respectively.

General Fund Expenditures:

General Fund expenditures of the Department are summarized below:

	<u>Fiscal Year Ended June 30,</u>	
	<u>1999</u>	<u>2000</u>
Budgeted Expenditures:		
Personal services	\$154,176,189	\$172,277,081
Other expenses	44,542,272	50,179,843
Equipment	314,247	3,879,405
Alternative Incarceration Program	21,396,267	28,294,716
Juvenile Alternative Incarceration	16,591,595	18,940,973
Post-Release Nonresidential Services	1,327,300	
Juvenile Justice Centers	1,781,623	2,738,385
Year 2000 Conversion	1,131,352	2,603,860
All other budgeted expenditures	<u>1,268,577</u>	<u>1,075,024</u>
Total Budgeted Expenditures	<u>242,529,422</u>	<u>279,989,287</u>
Restricted Appropriations:		
Other than Federal accounts	3,525,333	3,483,979

Auditors of Public Accounts

Federal accounts	<u>9,374,842</u>	<u>9,179,621</u>
Total Restricted Appropriations	<u>12,900,175</u>	<u>12,663,600</u>
Total Expenditures	<u>\$255,429,597</u>	<u>\$292,652,887</u>

For comparative purposes, total expenditures for the 1997-98 fiscal year were \$222,256,835, of which, \$136,988,986 was for personal services.

Total Department expenditures increased by \$70,396,052 or over 32 percent over the two-year audit period with \$35,288,095 of the increase for personal services. The increase in personal services can be attributed to annual increments and general wage increases from collective bargaining agreements, the increase in the workweek from 38.75 to 40 hours for the 1998-99 fiscal year and an increase in the number of filled positions. The number of filled positions increased by approximately seven percent during the audited period, from 2,609 as of July 1998 to 2,803 as of June 2000.

Other significant areas of increases in expenditures were for other expenses, equipment and the Alternative Incarceration Program. Expenditures for other expenses increased during the two-year audited period due to several major factors. These were an increase in the number of property management companies to manage Agency facilities, an increase in the use of attorneys involving juvenile representation and an increase in costs associated with the increase in staff having personal computers. Such costs include telecommunications charges, software maintenance and data processing contractual services.

Equipment expenditures increased for the 1999-00 fiscal year due to bonding constraints requiring the use of General Fund moneys for plant equipment and construction and repairs to court facilities.

The Department continued to receive increased funding for its Alternative Incarceration Programs, both adult and juvenile. Expenditures increased by \$15,848,705, from \$31,386,984 to \$47,235,689, during the audited period to provide more services to program participants.

The Department additionally purchased equipment through the Capital Equipment Purchases (1872) Fund totaling \$1,019,380 and \$1,304,134 for the 1998-99 and 1999-00 fiscal years, respectively.

Superior Court Condemnation Award Fund (7043):

Under Section 48-11, of the General Statutes, compensation offered by the State Transportation Commissioner as part of condemnation proceedings that are being disputed by property owners is deposited in this Fund. The money on deposit is paid to the proper persons through the State Treasurer on application of the owner or owners and on order of the Court. Deposits by the State Transportation Commissioner were \$6,845,522 and \$7,870,475 for 1998-99 and 1999-00 fiscal years, respectively. For the same period, disbursements paid to owners of property or returned to the State Department of Transportation were \$6,135,648 and \$4,716,213, respectively.

State Bar Examining Committee:

The State Bar Examining Committee operates under the authority of State law (Section 51-81 of the General Statutes) and the rules of the Superior Court (Connecticut Practice Book, Chapter 2). It assists the Court in overseeing the admittance of persons to the practice of law in Connecticut.

The Committee funds its operations through the fees it collects from applicants. The funds so derived are retained by the Committee and are not accounted for within any authorized State Fund. Based on the Committee's financial statements, cash and cash equivalents as of June 30, 2000, totaled \$367,968. Cash receipts consisted mostly of fee collections and totaled \$448,953 and \$480,809, respectively, for the 1998-99 and 1999-00 fiscal years. For the same period, the Committee's cash disbursements totaled \$510,396 and \$543,626, respectively, and were for salaries and other administrative expenses.

Program Evaluation:

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform program evaluations. Our review considered the Department's implementation of Section 51-52, subsection (e), of the General Statutes. This section requires that the excess of Judicial Department trust account working balances be deposited with the State Treasurer. Any such interest earned on the trust accounts, which is deposited in STIF, goes to the State's General Fund.

Implementation of the above statute has been considered as part of several preceding departmental audits. Previously, the Department's prevailing standard for the Clerk's Trust accounts was that the checking account balance should not exceed \$100,000. Our prior review concluded that the Department needed to improve the cash management of its Clerk's Trust accounts. A majority of trust account checking balances sampled, although less than \$100,000, appeared to exceed the trust accounts' working needs.

During October 1998, the Department's Court Operations Division issued a memo to all Court Clerks to revise its recommendation on the dollar threshold for account balances. The Court Clerks were required to develop and implement measures to assure that monitoring of the trust balance was done on a consistent basis and that tangible evidence be maintained to support the balance on hand. Simply maintaining a balance under \$100,000 was no longer acceptable. During April 2000, another memo was issued to all Court Clerks stating that written documentation to substantiate the balance in the trust account should be updated quarterly, at a minimum. The memo reiterated the past policy of locally determining the methodology used in maintaining a reasonable balance in the checking account. It also provided a chart prepared by the State Treasurer as guidance to the Clerks for determining when transfers to STIF are cost effective.

Clerk's Trust Accounts- Cash Management:

Criteria: The Judicial Department indicated through memos that the methodology used to establish and maintain a reasonable balance in the Clerk's Trust checking account is left up to the individual courts. The methodology should include the frequency of monitoring such procedures, the targeted balance to be maintained, and the substantiation for the balance being maintained. The Clerk is responsible for assuring that the balance is

monitored on a consistent basis. Written documentation to substantiate the balance should be updated at least quarterly and be available and retained for two audit periods.

Condition: We reviewed 13 (out of 43) trust accounts over a six-month period from May 1, 2000 to October 31, 2000 and found various methodologies used to establish a reasonable working balance in the Clerk's Trust accounts. These ranged from analyzing the average disbursements and receipts over a six-month period, to selecting a target working balance based on the court's highest bonds on deposit at the time the policy was written, to randomly selecting an amount to be maintained. The Agency's Court Operations Division has not reviewed the basis for the methodologies used to determine the existing balances and has not reviewed the courts' monitoring of the working balances. There has been only limited oversight at several courts to ensure that the criteria and methods used are appropriate and reasonable in establishing the working balance.

As of June 30, 2000, the 13 reviewed accounts had a combined trust checking account balance of \$468,634. If the entire balance were invested in STIF, at the June 2000 rate that was approximately six and one-half percent, it would have resulted in an additional \$30,000 annually in interest income. However, there is a wide fluctuation in the amounts deposited in the Trust accounts at any point in time. This makes it difficult to determine exactly the amount lost by a lack of timely transfers to STIF and demonstrates the need for close monitoring of Trust account balances.

Effect: The lack of oversight over the Clerks' monitoring of Trust Accounts cash balances could result in maintaining higher than needed working balances and a loss of interest income.

Cause: The Judicial Department does not have procedures in place to review the methodology and analysis used by each court in establishing a reasonable working balance in its Clerk's Trust Fund checking accounts.

Recommendation: The Department should improve the cash management of its Clerk's Trust Accounts. (See Recommendation 1.)

Agency Response: "The various methods utilized to establish working balances will be reviewed with the objective of identifying those that appear to constitute the "best practices" for implementation throughout the State."

CONDITION OF RECORDS

Our audit of the Judicial Department's records revealed several areas requiring improvement or further comment as discussed below:

Office of Victim Services– Claims Management and Victim Compensation Recovery:

Within the Judicial Department, the Office of Victim Services (OVS) provides comprehensive Statewide victim assistance programs. Our review of claims management and victim compensation recovery by the OVS disclosed the following:

Criteria:

1. Claims Management- A claims management system should provide sufficient and relevant data about individual cases pending that would include the number of outstanding claims and estimated value of those claims at any given date. It should also provide information that would help to identify current or future trends in case management.
2. Compensation Recovery- Section 54-212 of the General Statutes requires that whenever an order for payment of compensation or the provision of services has been made, the OVS may bring action in the name of the applicant against the responsible person(s). The OVS is entitled to recover up to two-thirds of the amount of compensation it awarded to the victim whether the OVS or victim brings the action. If the victim files the action, the OVS shall have a lien on the awarded recovery.
3. Claims Processing - The agency has written procedures to ensure cases are reviewed weekly and awards paid.

Condition:

1. Claims Management- The claims management system involves a combination of manual and computerized records. The system could not provide us with complete information on the total number of claims on hand, the estimated value of individual claims or the aggregate value of all pending claims. Also, information can only be retrieved as of the current date. The anticipated upgraded automated claims system is still in the planning stage.
2. Compensation Recovery- The Department's Court Services Division- Restitution Unit processes restitution payments made to victims and other recipients for all court actions. The OVS is not able to interface with the Restitution Unit's system or other agencies' automated systems to obtain current information on the status of restitution due or civil actions pending.
3. Claims Processing- We noted that 15 out of 25 cases tested had not been reviewed in over three months. In addition, our review during

October 2000, showed that there were 61 awards or supplemental awards, totaling \$119,218, approved and awaiting payment. 32 of the 61 awards, totaling \$55,967, had not been processed for payment for over 30 days.

Effect: The current OVS claims management system makes it difficult and time consuming to ascertain trends for case management, to monitor case processing and to establish financial plans. The OVS cannot determine the total estimated value of claims pending at any one time. This makes it difficult to determine if currently pending claims will exceed available resources and if funding will be available for potential program expansion.

The lack of follow up on victim's civil actions may result in OVS not recovering all moneys due back from victims receiving other types of restitution.

The delays in processing claims resulted in certain awards that would have been paid by collateral sources (public assistance, insurance, etc.) becoming the financial responsibility of the OVS.

Cause: The cause was not determined.

Recommendation: The Department should improve its policies and procedures for the claims management system of the Office of Victim Services. (See Recommendation 2.)

Agency Response: "The anticipated resolution had been tied to funding by the Bond Commission for the Branch's Statewide Technology Plan. Due to constraints on funding provided, alternative non-technical resolutions will be examined."

Attendance Records:

Criteria: Established Agency procedures require timesheets to be signed by the employee and supervisor.

Condition: Our review revealed that supervisors were approving their own timesheets.

Effect: The exemption of certain employees from supervisory approval of attendance records lessens the assurance that their services were received.

Cause: The cause was not determined.

Recommendation: The Department should ensure that all employee timesheets are approved by a supervisor. (See Recommendation 3.)

Agency Response: “The practice of requiring the most senior divisional employee in an office to approve the attendance for his/her own office, including his/her own attendance, is consistent with Branch policy. The Judicial Branch Administrative Policies and Procedures (JBAPP) Manual is in the process of being modified to be consistent.”

Employee Evaluations:

Criteria: The Department’s Administrative Policies and Procedures Manual (APPM) requires the job performance of employees to be assessed on an annual basis and each division director or authorized designee shall prepare an annual performance appraisal approximately three, but not less than two months prior to the employee’s annual increase date.

Condition: Our review of personnel files for staff in the Human Resources Management Unit showed a lack of annual performance reviews. In two instances, staff had not received an evaluation in ten years and two other instances where staff had not been reviewed in five years.

Effect: A lack of compliance with Department policies and procedures.

Cause: The cause was not determined.

Recommendation: Regular employee evaluations should be performed in accordance with the Department’s administrative policies and procedures. (See Recommendation 4.)

Agency Response: “The Branch’s performance evaluation system is currently under review in its entirety.”

Accountability Reports:

Criteria: Proper internal control would include the preparation of accountability reports. These reports provide reconciliations that compare moneys that were actually recorded with amounts that should have been accounted for.

Condition: 1.Small claims- There is a \$30 fee to enter a small claims case at the courts. Our review continued to find numerous courts that did not reconcile entry fee receipts to the number of small claims cases recorded by the courts. Entry fees for small claims were approximately \$2,000,000, annually, during the audited period.

2. Client Security Fund- The Department does not reconcile the amount of fees received and deposited in Client Security Fund, a restricted

General Fund account, to the number of attorneys billed at \$75 each. Total fees collected for the 1999-00 fiscal year were approximately \$2,000,000.

Effect: The lack of accountability over receipts can result in undetected losses.

Cause: The reasons for the lack of accountability reports were not determined.

Recommendation: The Department should ensure the preparation of accountability reports for receipts whenever feasible. (See Recommendation 5.)

Agency Response: “The installation of new cash registers, currently in process, will provide a mechanism to prepare such reports for small claims cases.

The utility of this type of report for Client Security Fund purposes will be examined.”

Reconciliation of Restitution Unit Account:

Background: The Department has a Restitution Unit within its Court Support Services Division that oversees restitution payments ordered by the courts. The Unit was formerly known as the Office of Adult Probation.

Criteria: Proper accounting requires that a trial balance of accounts should be reconciled to controlling totals.

Condition: Our prior auditors report commented on the lack of reconciliation between the balance of open accounts within the Restitution Unit Account and the balance according to the records of the State Comptroller. At that time, the Department had initiated procedures to reconcile the account on a current basis. However, our current review found that the process had been halted as of the November 1999 reconciliation and the account remained unreconciled until October 2000.

Effect: The lack of timely reconciliation of account balances to a controlling total can result in undetected losses.

Cause: We were informed that the reconciliation process was halted when the amount of variances carried month to month became unmanageable.

Recommendation: The Department should reconcile the Restitution Unit Account on a timely basis. (See Recommendation 6.)

Agency Response: “The account had been reconciled as of the beginning of the audit period but problems with reorganization arose. The account is currently under examination by internal audit with areas requiring improvement being identified and addressed.”

Seized Property:

The following recommendation is also included in our 2000 Annual Report to the General Assembly.

- Criteria:* Any law enforcement agency seizing property, including cash, as the result of an arrest or a search warrant shall file an inventory report of the property with the Clerk of the court in the geographical area where the offense was alleged to have been committed. Upon disposition of the seized property by court order, the law enforcement agency shall submit a return of compliance form to the same Clerk. The form certifies that the property has been disposed of in accordance with the court order. Section 54-36a, subsection (i), of the General Statutes states that the failure to file the return of compliance with the court order shall constitute criminal contempt. Anyone convicted of criminal contempt may be punished by a fine of not more than \$100.
- Condition:* As noted in our previous auditors report, there has been a continuing problem in enforcing orders for seized property. Use of the above statute has not been considered practical since it does not provide a definite time frame to determine when a return of compliance is late and subject to fine. The Department has traditionally relied on obtaining cooperation with local authorities and monitors their compliance through regularly scheduled audits of court seized property records. During our current review, we noted delays in resolving seized property outstanding orders due to the State by courts in Hartford and Bridgeport. This illustrates a continuing problem in enforcing court orders for seized property.
- Effect:* The lack of timely enforcement of court orders results in the untimely collection of funds due to the State.
- Cause:* We were informed that the Department has historically not used the statutory provisions of Section 54-36a of the General Statutes as noted above to enforce non-compliance by local law enforcement agencies. Using the statute was not considered practical. Instead, they have relied on obtaining cooperation from the local authorities.
- Recommendation:* The Department should consider seeking legislation to clarify and strengthen the existing statutes regarding seized property. (See Recommendation 7.)
- Agency Response:* “Legislation has been proposed for the current (January 2001) session of the General Assembly.”

Review of Outside Complaints:

- Criteria:* Effective administrative oversight would include establishing policies and procedures over the handling of outside complaints. Such policies and procedures would include a centralized, independent review of such matters. This would ensure that there are no conflicts of interests in investigating and/or resolving any complaints and that potential disciplinary action is in accordance with standard policies.
- Condition:* In our prior audit report, we were notified of an outside complaint concerning the conduct of a Judicial Department employee, which was received at a court and passed on to the involved employee's supervisor. The supervisor determined that the matter would be resolved by discussing the complaint with the employee. The Department's management was not notified of the complaint and nothing about the matter was placed in the employee's personnel file. We were informed that there are no Department policies or procedures requiring all outside complaints against its employees to be forwarded to a designated authority for review, management consultation and resolution. As of December 2000, no policies and procedures have been established to address the above condition.
- Effect:* The lack of a policy and/or procedure to ensure all complaints are centrally received may prevent the Department's management from being aware of the misuse of its resources or noncompliance with its directives. In addition, management is excluded from deciding the appropriate level of disciplinary action in such cases.
- Cause:* There was a lack of Department policies and procedures to ensure that all outside complaints are reviewed and resolved in accordance with agency guidelines.
- Recommendation:* The Department should establish policies and procedures for receiving and reviewing outside complaints against its employees. (See Recommendation 8.)
- Agency Response:* "The Agency is currently reviewing all of its administrative policies and procedures in anticipation of issuing a revised JBAPP Manual. Such a policy will be established and included in it."

Employee Use of Agency Telephones for Personal Calls:

- Criteria:* There should be written policies and procedures that address the personal use of State equipment and facilities by employees. This provides for effective enforcement of disciplinary action in the event of any such abuses.

- Condition:* During our prior audit we noted a situation where an employee made numerous undetected long distance calls of a personal nature, which was subsequently repaid. We noted that the Department did not have any written policies or procedures, which address the personal use of Agency telephones. As of December 2000, no policies and procedures have been established to address the above condition.
- Effect:* The lack of clear written Agency policies and procedures over the personal use of State equipment may hinder the enforcement of appropriate disciplinary action.
- Cause:* The cause was not determined.
- Recommendation:* The Department should adopt written policies and procedures concerning the personal use of State equipment and facilities. (See Recommendation 9.)
- Agency Response:* “The Agency is currently reviewing all of its administrative policies and procedures in anticipation of issuing a revised JBAPP Manual. Such a policy is under consideration.”

Court Reporters:

The Department has full time court reporters and monitors to record court proceedings. A court reporter records and transcribes verbatim testimony in legal proceedings while a court monitor uses electronic recording equipment to record and transcribe verbal testimony. In order to cover any remaining court assignment and transcript workload, the Department will hire temporary court reporters and monitors that are paid on an hourly basis. Our review of this area disclosed the following:

- Criteria:*
1. The establishment of written policies and procedures provide guidelines for the proper and efficient use of resources.
 2. In order to maintain control and accountability over the work performed by employees performing various assignments, management should track the workload assigned to each employee. Such tracking would include requiring each employee to indicate the number of hours worked on each assignment on his or her timesheets.
- Condition:*
1. Policies and procedures- The Department’s policies and procedures do not specifically address the need for hiring a temporary court reporter and monitor.
 2. Attendance records- The daily time records for court reporters and monitors showed only hours at work with no detail to account for the

hours worked by type of activity performed by each reporter or monitor.

3. Transcript production- Except for appellate court cases, there is a lack of available documentation of the production of transcript work. Such documentation would track the transcript workload for each employee.

The above conditions are repeated from our previous audit report.

Effect: The lack of written policies and procedures for defining the use of temporary, non-State employees may result in unnecessary expenditures when full time employees are available. The lack of documentation of hours worked on transcript production can result in the inefficient use of resources that may go undetected.

Cause: The cause was not determined.

Recommendation: The Department should develop guidelines for hiring temporary court reporters and monitors and improve the documentation of the activities of court reporters and monitors. (See Recommendation 10.)

Agency Response: “Judges identify the determination of need for court reporter/monitor services in their courtrooms. As such, guidelines and documentation initially tested did not prove to be sufficiently flexible to address both Court and administrative needs. Work is continuing in this area.”

Property Control:

Criteria: Section 4-36 of the General Statutes requires each State agency to establish and keep an inventory account in a form prescribed by the State Comptroller. The State’s Property Control Manual requires a detailed subsidiary record under each inventory category reported on the annual inventory report to the State Comptroller. It also requires a detailed property control record for software inventory.

Condition: The Department reported unsupported amounts in the Furnishings and Equipment (Capitalized) category on its annual inventory report to the State Comptroller for June 30, 2000. Subsidiary records were not maintained to support additions of \$1,659,542 out of the \$4,152,993 reported and deletions of \$3,089,728 out of the \$4,964,346 reported to the State Comptroller.

A random test of 25 items from the Department’s capitalized inventory records showed nine items (or 36 percent) could not be physically located.

The Department does not maintain software inventory records in accordance with the State's Property Control Manual.

Effect: The lack of accurate property control records could result in undetected losses.

Cause: The cause for the lack of support for additions and deletions reported on the annual inventory report and the inaccurate inventory records could not be determined. The lack of software inventory records was due to the Department's position that, as a separate branch of government, it is not required to maintain its software inventory in accordance to the State's Property Manual.

Recommendation: The Department should improve its property control records. (See Recommendation 11.)

Agency Response: "Differences between the annual inventory report and subsidiary records are due to software programming. The area has been identified and resolution is planned. Of the nine inventory items not located in the test, four were found to have missing inventory tag numbers and one item's number differed by one digit. Research is continuing with respect to the remaining items.

State Property Control Manual requirements are currently under review."

Terminated Employees:

Criteria: Proper internal control includes removing terminated employees from the Agency's payroll on a timely basis and ensuring the accuracy of payments made at termination. Such payments at retirement would include prorated longevity payments which occur when an employee eligible for longevity retires prior to April 1 or October 1. Employees leaving while working under an expired collective bargaining agreement may receive a retroactive longevity adjustment when the contract is settled.

Condition: Our review found that terminated employees were not being removed from active payroll status on a timely basis. A sample of such terminated employees from April 2000 showed numerous instances where a terminated (or retired) employee remained on the payroll from two to six years. We also found that four out of 20 terminated (or retired) employees sampled received incorrect prorated longevity payments. The four incorrect payments resulted in a net overpayment of \$480.

Effect: The risk for improper or erroneous payments is increased when an inactive employee remains on the payroll. A weakness in internal control

over longevity payments could result in payments in error remaining undetected.

Cause: The cause for the leaving terminated employees on the payroll was due to a past practice of leaving terminated employees on the payroll in anticipation of retroactive collective bargaining adjustments. Apparently, there was no follow up procedure to ensure the eventual removal of such terminated employees. The cause for incorrect longevity payments was not determined.

Recommendation: The Department should remove terminated employees from its payroll on a timely basis and ensure the accuracy of payments made at termination. (See Recommendation 12.)

Agency Response: “Current procedures have been changed to have all terminated, resigned and retired employees in the payroll session removed immediately after they received their last payroll check.”

Greater care will be exercised in the calculation of longevity payments.”

Late Deposits:

Criteria: Section 4-32 of the General Statutes requires receipts of \$500 or more to be deposited within 24 hours. Section 4-33a of the General Statutes requires State agencies to report any irregular or unsafe handling of State funds.

Condition: Restitution Unit- Our test check of deposits for the Restitution Unit showed three separate daily deposits during the audited period, totaling \$35,861, which were one day late. We also found that from February 10, 1999 to February 18, 1999, there were no deposits of Restitution Unit receipts. (The period included two holidays on February 12 and 15, 1999.) At that time, The Unit moved its offices and receipts were not recorded or deposited until the computer system for recording receipts was connected. On February 19, 2000, a total of \$74,905 was deposited. We were unable determine the amount of receipts deposited up to five business days late since the Unit’s records only indicate the date receipts were recorded, February 18 and 19, 1999.

On January 7, 2001, we reported the above to the Governor and other State Officials.

Internal Audit- The Department’s Internal Audit Unit periodically reports instances of untimely deposits in accordance with Section 4-33a of the General Statutes. The untimely deposits are discovered during the Unit’s regularly scheduled audits of Court locations. Because of these reports,

we reported the following instances of late deposits to the Governor and other State officials:

1. On February 14, 2000, we reported on a late deposit of \$250 at the Waterbury Housing Court and a late deposit of \$277 at the New Haven Juvenile Matters Court. These late deposits were identified during Internal Audit reviews completed from April through September 1999.
2. On September 6, 2000, we reported on late deposits of \$3,475 and \$960 at the Hartford Housing Court. These late deposits were identified during Internal Audit reviews completed from October 1999 through March 2000.
3. On January 7, 2001, we reported six instances of late deposits ranging from one to 11 days late that occurred in the New Haven, Norwalk and Norwich courts. These late deposits were identified during Internal Audit reviews completed from April through September 2000.

Effect: The untimely deposits violated Section 4-32 of the General Statutes.

Cause: We were informed that the various causes for the late deposits have been reviewed and measures implemented as appropriate to minimize the risk of future late deposits.

Conclusion: The incident of late deposits reported does not appear significant in consideration of the large Statewide volume of Department receipts and the delaying of deposits by the Restitution Unit appears to be an isolated incident. Therefore, no recommendation is presented.

RECOMMENDATIONS

Our prior report on the Judicial Department covered the fiscal years ended June 30, 1997 and 1998 and contained ten recommendations. Of the ten recommendations, only one has been implemented and the remaining nine are being restated and/or repeated herein as part of the recommendations. The status of the prior recommendations is presented below:

Status of Prior Audit Recommendations:

- The Department should improve the cash management of its Clerk's Trust Accounts. This recommendation is repeated (See Recommendation 1.)
- The Department should improve its policies and procedures for the claims management system of the Office of Victim Services. This recommendation is repeated (See Recommendation 2.)
- The Department should ensure that all employee timesheets are approved by a supervisor. This recommendation is repeated (See Recommendation 3.)
- The Department should ensure the preparation of accountability reports for receipts whenever feasible. This recommendation is repeated (See Recommendation 5.)
- The Department should reconcile the Adult Probation Restitution Account on a timely basis. (Due to an Agency reorganization, the account is now known as the Restitution Unit Account.) This recommendation is repeated (See Recommendation 6.)
- The Department should review the collection of seized property monies to improve the timeliness of local enforcement agency compliance with court orders. This recommendation has been modified. (See Recommendation 7.)
- The Department should establish policies and procedures for receiving and reviewing outside complaints against its employees. This recommendation is repeated. (See Recommendation 8.)
- The Department should adopt written policies and procedures concerning the personal use of State equipment and facilities. This recommendation is repeated (See Recommendation 9.)
- The Department should ensure compliance with its procedures for monitoring contractor billings. This recommendation has been sufficiently resolved.
- The Department should develop guidelines for hiring temporary court reporters and monitors and improve the documentation of the activities of court reporters and monitors. This recommendation is repeated (See Recommendation 10.)

Current Audit Recommendations:

1. The Department should improve the cash management of its Clerk's Trust Accounts.

Comment:

There were various methodologies used to establish a reasonable working balance in the Clerk's Trust accounts. There is a lack of administrative oversight to review the basis for the methodologies used to determine the existing balance along with a lack of oversight over the Courts' monitoring of the working balances. There has been only limited oversight at several courts to ensure that the criteria and methods used are appropriate and reasonable in establishing the working balance.

2. The Department should improve its policies and procedures for the claims management system of the Office of Victim Services.

Comment:

The claims management system could not adequately provide the total number of claims on hand or the aggregate value of all pending claims. Also, the Office was not seeking all recoveries as provided for in Section 54-212 of the General Statutes.

3. The Department should ensure that all employee timesheets are approved by a supervisor.

Comment:

Established agency procedures require timesheets to be signed by the employee and supervisor. Our review revealed that supervisors were approving their own timesheets.

4. Regular employee evaluations should be performed in accordance with the Department's administrative policies and procedures.

Comment:

Our review found that the Department's Human Resources Management Unit was inconsistent in performing regular employee evaluations as required under Department policies and procedures.

5. The Department should ensure the preparation of accountability reports for receipts whenever feasible.

Comment:

Accountability reports for small claims and Client's Security Fund fees were not prepared.

6. The Department should reconcile the Restitution Unit Account on a timely basis.

Comment:

As of October 2000, we found that the Court Support Services Division- Restitution Unit Account was only reconciled through November 1999.

7. The Department should consider seeking legislation to clarify and strengthen the existing statutes regarding seized property.

Comment:

There has been a continuing problem in enforcing orders for seized property. Using the existing statute has not been considered practical since it does not provide a definite time frame to determine when a return of compliance is late and subject to fine. The Department has traditionally relied on obtaining cooperation with local authorities and monitors their compliance through regularly scheduled audits of court seized property records. During our current review, we noted delays in resolving seized property outstanding orders due to the State by courts in Hartford and Bridgeport. This illustrates a continuing problem in enforcing court orders for seized property.

8. The Department should establish policies and procedures for receiving and reviewing outside complaints against its employees.

Comment:

We were informed that there are no Department policies or procedures requiring all outside complaints to be forwarded to a designated authority for review and resolution. A lack of such policy can result in inconsistent corrective action and a lack of top management awareness of external complaints.

9. The Department should adopt written policies and procedures concerning the personal use of State equipment and facilities.

Comment:

The Department does not have any written policies and procedures that address the personal use of telephones by its employees. The lack of such may prohibit the enforcement of appropriate disciplinary actions in cases of abuse.

10. The Department should develop guidelines for hiring temporary court reporters and monitors and improve the documentation of the activities of court reporters and monitors.

Comment:

The Department's policies and procedures do not specifically address the criteria for hiring temporary court reporters and monitors. In addition, attendance records for full time court reporters and monitors did not provide detail of work activities. Such information would be used to monitor employee workload and efficiency.

11. The Department should improve its property control records.

Comment:

Total additions and deletions reported under the category of Furnishings and Equipment on the annual inventory report to the State Comptroller for June 30, 2000 was not supported by detailed subsidiary records. Our test of inventory records showed nine of 25 items sampled could not be physically located. Software inventory was not maintained in accordance with the State's Property Control Manual.

12. The Department should remove terminated employees from its payroll on a timely basis and ensure the accuracy of payments made at termination.

Comments:

Our review found that the Agency was not removing terminated employees from its payroll on a timely basis and errors were found in our sample of longevity payments to terminated employees.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Judicial Department for the fiscal years ended June 30, 1999 and 2000. This audit was primarily limited to performing tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants, and to understanding and evaluating the effectiveness of the Agency's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grants applicable to the Agency are complied with, (2) the financial transactions of the Agency are properly recorded, processed, summarized and reported on consistent with management's authorization, and (3) the assets of the Agency are safeguarded against loss or unauthorized use. The financial statement audits of the Department of Correction for the fiscal years ended June 30, 1999 and 2000, are included as part of our Statewide Single Audits of the State of Connecticut for those fiscal years.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial-related audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Judicial Department complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grants and to obtain a sufficient understanding of the internal control to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

Compliance:

Compliance with the requirements of laws, regulations, contracts and grants applicable to the Judicial Department is the responsibility of the Judicial Department management.

As part of obtaining reasonable assurance about whether the Agency complied with laws, regulations, contracts, and grants, noncompliance with which could result in significant unauthorized, illegal, irregular or unsafe transactions or could have a direct and material effect on the results of the Agency's financial operations for the fiscal years ended June 30, 1999 and 2000, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under generally accepted government auditing standards.

We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report. Such instances are contained in our comments on late deposits and in Recommendations 7 and 11 concerning seized property and property control.

Internal Control over Financial Operations, Safeguarding of Assets and Compliance:

The management of the Judicial Department is responsible for establishing and maintaining effective internal control over its financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts and grants applicable to the Agency. In planning and performing our audit, we considered the Agency's internal control over its financial operations, safeguarding of assets, and compliance with requirements that could have a material or significant effect on the Agency's financial operations in order to determine our auditing procedures for the purpose of evaluating the Judicial Department financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grants, and not to provide assurance on the internal control over those control objectives.

However, we noted certain matters involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that, in our judgment, could adversely affect the Agency's ability to properly record, process, summarize and report financial data consistent with management's authorization, safeguard assets, and/or comply with certain provisions of laws, regulations, contracts, and grants. We believe the following findings represent reportable conditions:

- Inadequate victim compensation claims management and compensation recovery reporting system
- Lack of timely reconciliation of the Restitution Unit account
- Deficiencies in documenting and monitoring the activities of court reporters and monitors
- Inconsistencies in the cash management of the Clerk's Trust Fund accounts
- Inadequate property control and reporting
- Lack of timely removal of terminated employees from the payroll

A material or significant weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants or the requirements to safeguard assets that would be material in relation to the Agency's financial operations or noncompliance which could result in significant unauthorized, illegal, irregular or unsafe transactions to the Agency being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over the Agency's financial operations and over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material or significant weaknesses. However, of the reportable conditions described above, we believe that the reportable condition regarding inadequate property control and reporting to be a material or significant weakness.

We also noted other matters involving internal control over the Agency's financial operations and over compliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report. Such matters are contained in Recommendations 3 and 5 concerning attendance records and accountability reports.

Auditors of Public Accounts

This report is intended for the information of the Governor, the State Comptroller, the Appropriations Committee of the General Assembly and the Legislative Committee on Program Review and Investigations. However, this report is a matter of public record and its distribution is not limited.

CONCLUSION

In conclusion, we wish to express our appreciation for the assistance and courtesies extended to our representatives by the personnel of the Judicial Department during the course of this examination.

Donald R. Purchla
Principal Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

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