

# STATE OF CONNECTICUT



*AUDITORS' REPORT  
JUDICIAL DEPARTMENT  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006*

**AUDITORS OF PUBLIC ACCOUNTS**  
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May 23, 2008

**AUDITORS' REPORT  
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FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2006**

We have examined the financial records of the Judicial Department for the fiscal years ended June 30, 2005 and 2006. 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 Titles 8 and 51, Chapters 78 and 870, respectively, 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 cases decided by the Appellate Court. It also has authority to transfer to itself any case 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 case or class of cases from itself to the Appellate Court. The Appellate Court is an intermediate court of appeals.

During the audited period, the Honorable William J. Sullivan served as Chief Justice of the Supreme Court until his retirement on April 15, 2006, becoming a Senior Justice. Since no successor was subsequently appointed, the Honorable David M. Borden, the Senior Associate Justice, served as acting Chief Justice, in accordance with Section 51-3 of the General Statutes, until April 25, 2007, when the current Chief Justice, the Honorable Chase T. Rogers, was confirmed.

The Honorable Joseph H. Pellegrino served as Chief Court Administrator until February 1, 2006, when he was replaced by the Honorable William J. Lavery. Judge Lavery served until November 1, 2007, when he was replaced by the Honorable Barbara M. Quinn.

The Superior Court is the sole court of original jurisdiction for all cases 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, which totaled \$82,550,300 and \$81,532,184 for the 2004-05 and 2005-06 fiscal years, respectively. Disbursements of 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.

	<b><u>Fiscal Year Ended June 30,</u></b>	
	<b><u>2005</u></b>	<b><u>2006</u></b>
Transfer to Criminal Injury Compensation Fund	\$1,280,008	\$1,192,603
Transfer to General Fund	48,590,916	48,968,838
Transfer to Special Revenue Fund	4,327,033	4,300,705
Transfer to Special Transportation Fund	28,187,944	26,835,586
Fines distributed to towns and miscellaneous	<u>164,399</u>	<u>234,452</u>
<b>Total Fund Disbursements</b>	<b><u>\$82,550,300</u></b>	<b><u>\$81,532,184</u></b>

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 \$3,217,570 and \$4,538,741 for the 2004-2005 and 2005-06 fiscal years, respectively. The significant categories of receipts were refunds of prior years' expenditures, investment income and sales of the Commission on Legal Publications (COLP).

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 \$1,176,563 and \$2,185,927 for the 2004-2005 and 2005-2006 fiscal years, respectively. The increase in investment income was the result of the annual total rate of return increasing from approximately two to four percent for the 2005-2006 fiscal year.

COLP sales of legal publications totaled \$455,586 and \$ 417,187 for the 2004-2005 and 2005-2006 fiscal years, respectively.

**General Fund Expenditures:**

General Fund expenditures for the Judicial Department are summarized below:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
<b>Personal Services and Employee Benefits:</b>			
Salaries and Wages	\$214,985,271	\$239,606,214	\$259,935,129
All other	<u>4,865,536</u>	<u>5,255,742</u>	<u>5,616,535</u>
Total Personal Services and Employee Benefits	<u>219,850,807</u>	<u>244,861,956</u>	<u>265,551,664</u>
<b>Purchases and Contracted Services:</b>			
Professional, scientific and technical services	19,630,892	19,875,389	19,750,675
Premises and property expenses	21,615,652	25,447,614	29,031,601
Fixed charges	53,974,362	57,741,795	60,678,795
Client services	3,259,889	3,806,909	2,956,679
Information technology	5,624,476	5,409,795	6,023,978
Communications	2,949,984	2,863,728	2,852,373
Purchased commodities	4,751,381	5,516,758	5,645,175
Capital outlays-Equipment	1,863,207	2,281,444	2,922,348

## *Auditors of Public Accounts*

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All other	<u>2,060,663</u>	<u>2,473,597</u>	<u>2,372,580</u>
Total Purchases and Contracted Services	<u>115,730,506</u>	<u>125,417,029</u>	<u>132,234,204</u>
<b>Total General Fund Expenditures</b>	<b><u>\$325,581,313</u></b>	<b><u>\$370,278,985</u></b>	<b><u>\$397,785,868</u></b>

Overall Department General Fund expenditures increased by \$34,697,672 and \$27,506,663, or approximately 11 and seven percent for the 2004-2005 and 2005-2006 fiscal years, respectively.

The above increases can be mainly attributed to increases in personal services which increased by approximately 11 and eight percent for the two audited fiscal years. These increases were from increases in the number of employees, regular collective bargaining increases along with increases for non-union employees, law clerks and judges. The number of full-time filled positions increased from 3,795 to 3,872 to 3,955 as of June 30, 2004, 2005 and 2006, respectively.

The Department additionally purchased equipment through the Capital Equipment Purchases Fund totaling \$1,734,756 and \$1,808,294 for the 2004-2005 and 2005-2006 fiscal years, respectively.

### **Special Revenue Fund- Federal and Other Restricted Accounts**

Special Revenue Fund receipts, in addition to transfers from the Fines Awaiting Distribution Fund, totaled \$17,886,045 and \$14,043,554 for the 2004-2005 and 2005-2006 fiscal years, respectively. This consisted mostly of Federal Grant receipts, totaling \$11,174,489 and \$9,047,997 and non-Federal Grants receipts, totaling \$6,533,886 and \$4,549,268, for the 2004-2005 and 2005-2006 fiscal years, respectively.

Non- Federal restricted accounts include the Client Security Fund which operates under Section 51-81d of the General Statutes. 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 any person admitted as an attorney by the Superior Court. Such fees totaled approximately \$4,350,840 and \$2,862,603 for the 2004-2005 and 2005-2006 fiscal years, respectively. The fluctuation in fees was due to delaying the 2004 calendar year billing until August 2004 rather than the usual May and June collection. This resulted in fee collections for both the calendar years 2004 and 2005 occurring during the 2004-2005 fiscal year.

A summary of the Department's Special Revenue Fund expenditures follow:

	<b><u>Fiscal Year Ended June 30,</u></b>		
	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>
Personal Services and Employee Benefits	<u>\$1,556,317</u>	<u>\$1,157,373</u>	<u>\$967,369</u>
Purchases and Contracted Services:			
Medical services- "For Profit" professionals	484,090	456,003	267,999
Client Security Fund payments	226,450	2,273,578	324,361
Criminal injury awards	508,027	500,437	532,371
Grants-other	9,401,936	9,605,737	9,073,354

All other	<u>808,585</u>	<u>947,904</u>	<u>1,332,638</u>
Total Purchases and Contracted Services	<u>11,429,088</u>	<u>13,783,659</u>	<u>11,530,723</u>
<b>Total Expenditures</b>	<b><u>\$12,985,405</u></b>	<b><u>\$14,941,032</u></b>	<b><u>\$12,498,092</u></b>

The overall increase in expenditures for the 2004-2005 fiscal year can be attributed to the significant increase in the payment of claims filed with the Client Security Fund account. The number of claims from victims of attorney theft will vary from year to year and there is no limit on a claim payout.

The majority of the expenditures involved various grant transfers. The expenditure category “Criminal injury awards” are payments to victims by the Office of Victim Services in addition to payments from the Criminal Injuries Compensation Fund. The source of funding was from Crime Victim Assistance Grants (CDFA # 16.757) with overall Special Revenue Fund expenditures totaling \$4,340,907 and \$4,369,989 for the 2004-2005 and 2005-2006 fiscal years, respectively.

**Superior Court Condemnation Award Fund:**

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 totaled \$8,711,687 and \$8,819,978 for the 2004-2005 and 2005-2006 fiscal years, respectively. For the same period, disbursements paid to owners of property or returned to the State Department of Transportation totaled \$16,291,501 and \$7,123,719, 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, as of June 30, 2006, cash and cash equivalents totaled \$792,929. Cash receipts consisted mostly of fee collections and totaled \$638,731 and \$693,395, for the 2004-2005 and 2005-2006 fiscal years, respectively. For the same period, the Committee's cash disbursements totaled \$505,143 and \$715,686, respectively, and were for salaries and other administrative expenses. (See “Condition of Records” section.)

## CONDITION OF RECORDS

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

### **Personnel Files and Evaluations:**

*Criteria:* The purpose of a personnel file as defined in the various bargaining unit contracts applicable to the Judicial Branch is the collection of information concerning an employee's performance or conduct. Any derogatory material such as a written reprimand not subsequently incorporated into the employee's service rating can be expunged from the file upon request of the employee after one year.

According to all Judicial bargaining unit agreements and the Judicial Branch's Administrative Policies and Procedures Manual, an annual performance appraisal shall be completed approximately three but no less than two months prior to the employee's annual salary increase date.

*Condition:* 1. Employee personnel files - During our review, we found that the Judicial Branch maintains informal files, separate from the employee's personnel files, which are not readily available unless specifically requested. These informal files may contain information regarding investigations of employees or a letter of reprimand. Any formerly signed agreements between the Agency and an employee in cases where the employee is transferred to a new position to resolve a personnel conflict are also kept separate from personnel files. In such cases, the employee gives up any right to pursue action against the Branch and the Branch agrees to forego any disciplinary action.

2. Employee evaluations - During our review of employees who have access to change rates of pay through the Department's payroll system (called JASMIN), we noted that current performance appraisals were not on file for all ten reviewed. Appraisals ranged from one to eleven years in arrears although employees continued to receive annual increments.

Our regular test of payroll showed current performance appraisals were not on file for eight out of 20 employees tested. Appraisals ranged from one to 12 years in arrears.

*Effect:* The omission of agreements or disciplinary action from personnel files makes the files less reliable as complete documentation of an employee's performance and work history.

The Department was not in compliance with established policies included in collective bargaining agreements and the Judicial Branch's

Administrative Policies and Procedures Manual.

*Cause:* We were informed the Department would withhold certain information from personnel files since its inclusion may set precedence for others.

We were unable to determine the reason for the failure to complete annual evaluations.

*Recommendation:* The Department should ensure annual evaluations are performed for all its employees and personnel files contain all relevant information about an employee's history. (See Recommendation 1.)

*Agency Response:* "The Judicial Branch separates personnel information into various files to avoid the inadvertent breach of confidential medical, labor relations or other information. Nevertheless, all such files are maintained in the same unit.

As it is Branch policy to prepare performance evaluations, the percentage of noncompliance identified in test results may not be representative of the Branch as a whole. A revised Judicial Branch Administrative Policies and Procedures Manual, however, is due for distribution in the near future and will serve to remind all supervisors of their responsibilities in this area. As well, we will institute a policy whereby Division Directors will be required to certify that all performance evaluations required in their units have been completed as of a predetermined date."

*Auditors' Concluding*

*Comments:* If the intent of separating personnel file information is to prevent inadvertent breach of confidential information, perhaps a revision of the procedures for maintaining file security is warranted. Such revised procedures may result in the segregation of only those documents required to be kept confidential under State law. We question whether documentation such as disciplinary actions or agreements to transfer employees is confidential under law and should be kept separate from an employee's personnel file.

**Compensatory Time:**

*Criteria:* According to the Judicial Branch's Administrative Policies and Procedures Manual, employees excluded from earning overtime will earn compensatory time subject to prior supervisory approval.

*Condition:* Our current review showed a lack of documented supervisory pre-approval for ten out of 13 employees in our sample of employees earning compensatory time. We also noted three instances where the earning of

compensatory time by two employees within the Department's Office of Victim Services was not appropriate.

*Effect:* The unauthorized use of compensatory time by a managerial employee violates Agency procedures. It also results in a cost to the State by allowing an employee to substitute compensatory time for vacation time.

*Cause:* The lack of pre-approvals for compensatory time were attributed to: (1) instances where the sudden onset of inclement weather makes pre-approval not possible; (2) the practice of supervisors approving compensatory time appearing on the timesheet after the fact; (3) the form used by the Office of Victim Services does not include a date field for the supervisor's signature and approvals through e-mail were not retained.

The cause for the inappropriate earning of compensatory time could not be determined although staff had been previously advised of the Department's procedures since it was a prior audit finding.

*Recommendation:* The Department should ensure all compensatory time is properly approved before it is earned. (See Recommendation 2.)

*Agency Response:* "The Branch's policy is to approve compensatory time in advance. That policy does not require written pre-approval for compensatory time although in many instances written pre-approval does occur. The supervisor's signature indicating approval of the bi-weekly attendance sheet serves as documentation that prescribed approvals have taken place and provides assurance that compensatory time is properly utilized."

*Auditors Concluding Comments:*

We question whether the signed approval of a bi-weekly timesheet after the fact provides any assurance that compensatory time is approved in advance. We would also note it does not document the nature of the compensatory time. In addition, there is a lack of consistency in implementing the policy since, as stated above, there are many instances where written pre-approval does occur.

### **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. Further guidance is provided by the State of Connecticut's Property Control Manual which requires a detailed subsidiary record to support the categories of inventory included on the annual Asset Management/Inventory Report (Form CO59). The Property Control Manual also requires (1) the prompt recording of new acquisitions, disposals and any changes in location, (2) the inclusion of purchases of

materials in the “Additions” category and the use of materials to be included in the “Deletions” category on Form CO59, and (3) a separate perpetual inventory for all stores and supplies if the estimated value of the entire inventory is over \$1,000.

*Condition:*

1. Annual Management/Inventory Reports-

a. Ownership of the Derby courthouse was transferred to the Department after the 20 year lease expired in September 2005. The Department did not include the building’s assessed value, \$3,840,470, in the reported total cost of real property, \$311,787,752, as of June 30, 2006.

b. For June 30, 2005 and 2006, additions and deletions to the category “Materials and Goods in Process” did not include printing supplies purchased and used by the Commission on Official Legal Publications. The net effect was reported balances of \$2,543,817 and \$2,571,362, for the above category, for June 30, 2005 and 2006, respectively, were overstated by \$23,407 and understated by \$43,658, as of the above dates, respectively.

c. The Department reported ending balances of \$1,572,172 and \$1,861,299 for the category “Stores and Supplies” as of June 30, 2005 and 2006, respectively. These amounts represented annual expenditures for supplies and not the actual on-hand inventory. Since the various Judicial divisions maintain minimal supplies to meet daily operational needs, the reported balances greatly overstate the actual supplies on hand.

2. Physical Inventory- We selected a sample of 25 inventory items, with a total cost of \$136,457, from the Department’s inventory record to physically verify their existence. We could not locate nine of the items which have a total listed cost of \$29,636. We note that the total reported cost of the Department’s “State Owned Personal Property” was reported to be \$65,122,178 and \$67,495,550 as of June 30, 2005 and 2006, respectively.

*Effect:*

The effect of the above conditions regarding the annual management/inventory report resulted in: (1) the reported total cost of real property, \$311,787,752, as of June 30, 2006 was understated by \$3,840,470, (2) the reported balances of \$2,543,817 and \$2,571,362, for the category, Materials and Goods in Process, for June 30, 2005 and 2006, respectively, were overstated by \$23,407 and understated by \$43,658, as of the above dates, respectively, and (3) the Department overstated its reported ending balances for the category “Stores and Supplies” by \$1,572,172 and \$1,861,299 as of June 30, 2005 and 2006, respectively.

Using a rate of approximately 22 percent (\$29,636/\$136,457) as the error rate for the actual physical inventory records, we would estimate that approximately \$14,800,000 of the \$67,495,550 reported as “State Owned Personal Property” inventory as of June 30, 2006 would be questionable due to inaccurate recordkeeping. The overall effect of the above can result in substantial undetected losses to the State.

*Cause:* The cause for deficiencies in inventory reports appears to be a lack of understanding certain reporting instructions. The missing items of the Agency’s inventory can be attributed to the current inventory list, compiled by the Property Accounting Division, was not verified by those managers responsible for property inventory at the Agency’s numerous locations.

*Recommendation:* The Department should improve its property control records. (See Recommendation 3.)

*Agency Response:* “Inaccuracies noted on the annual Asset Management / Inventory Report appear in large part to be due to modifications made in Core-CT accounts and the assessed value of one building not having been available in time for filing of the report. Although our analysis in this area continues, these conditions have been rectified.

Inventory that could not be found at their designated locations appear to be primarily older items (some of which were up to 20 years old) that to the best of our knowledge had been turned in/traded in and focused on two locations, one of which was an administrative office that had moved twice in a three year period. As the test appears to have concentrated on a very limited number of locations and locations with atypical activities during this period, we believe that extrapolating this information to inventory on a Branch-wide basis will result in erroneous conclusions and inappropriate remedial actions. Nevertheless, the Branch will continue to research methodologies to improve its property control records.”

**Bar Examining Committee:**

*Background:* As noted in the Resume of Operations section, the Bar Examining Committee (BEC) funds its operations through the fees it collects from applicants. BEC’s funds are not accounted for within any authorized State fund. The BEC maintains a checking account for its everyday activities. Excess funds are transferred to the Committee’s STIF account.

*Criteria:* To increase operating efficiency and reduce inherent risk, business operations should be consolidated and any unneeded bank accounts eliminated.

Section 4a-71 of the General Statutes requires agencies to pay vendors within 45 days from the invoice or service date, whichever is later. In addition, proper internal control concerning professional services would include establishing contracts with specific terms for services required, rates and a specific maximum payout amount for the contract period.

*Condition:* The BEC continues to operate a checking account which appears unnecessary since their receipts and disbursements could be handled through the establishment of a restricted account in the General Fund similar to the Department's Client Security Fund. Receipts and disbursements would then be processed by the Agency's business office which has established internal controls over the receipts and disbursements.

A sample of 25 BEC disbursements showed three invoices, totaling \$15,977, were not paid within 45 days of the service or invoice date. The delay ranged from 55 to 147 days. One of the delayed payments amounting to \$7,793 was for legal services. We further noted that BEC did not have a written agreement on file with the legal services firm which specified the terms of services and limits on amounts to be paid.

*Effect:* The Committee's checking account and time spent by its staff in its maintenance appears to be an unnecessary duplication of effort and increases inherent risk.

The above delays in payments are violations of Section 4a-71 concerning timely State payments for goods/services. The lack of a written agreement for professional services with established rates and limits on total costs may result in the State being liable for excessive charges without recourse.

*Cause:* The cause for the establishment of a checking account for the BEC was not determined. There does not appear to be a system to prepare and track purchase orders so that payments are made on a timely basis. We did not determine the reason for the lack of an agreement for legal services.

*Recommendation:* The Bar Examining Committee should close its checking account with its activities accounted for in a restricted General Fund account and improve monitoring over the timeliness of payments. (See Recommendation 4.)

*Agency Response:* "The Judicial Branch continues to agree in principal with the efficiency and recording considerations identified above. However, the Bar Examining Committee, a board comprised of both private attorneys and judges, is by nature of its operation a quasi-judicial, quasi-independent

operation. As such, management of its operations is inherently a partnership with the branch. Although the Committee has not been receptive to the changes recommended, its long established practices have generally resulted in appropriate ways to conduct business. The Judicial Branch will continue to discharge its oversight responsibilities, periodically revisit this area and work with the Committee to minimize risks and exposures. Concerns expressed with respect to the timeliness of payments and the lack of a written agreement, for example, are areas where the possibility for improvements will be researched and implemented as appropriate.”

### **Mileage Reimbursements - State Marshals:**

*Criteria:* Judicial policies allow for mileage reimbursement for State Marshals for serving process. The reimbursement is to be computed from the place of receipt of the process to the place of the service and, in cases involving civil process, to the place of return. The Court Clerk’s Office, from which the process originated, certifies that the process has been served and sends the payment voucher for mileage reimbursements to the Judicial accounts payable unit for processing and payment.

*Condition:* During our test of expenditures, we noted a reimbursement to a State Marshal for mileage while serving process papers which appeared excessive. Therefore, we expanded our test and reviewed all reimbursements to the particular marshal for the month of August 2005 and found that only 328 out of 950 miles claimed were actual driving distances. At a reimbursement rate of 40.5 cents per mile, the marshal was overpaid \$252 for the excessive miles.

We were informed that the Department had undertaken procedures effective during the 2007-2008 fiscal year to verify the accuracy of mileage reported by the marshals using a well known internet site for calculating distances. Thus, we expanded our test of reimbursements by conducting additional sampling of reimbursements both before and after the procedural changes.

For our first sample, we reviewed reimbursements for the period from July 1, 2006 through December 31, 2006, and found that 32 out of 40 appeared to have excessive amounts reimbursed. Of the \$576 in total reimbursements, \$166, or approximately 29 percent appeared excessive. Our second sample covering October 1, 2007 through January 31, 2008, after the procedural changes, showed the Department’s new procedures appeared to be working with insignificant differences. However, we did note some discrepancies in the mileage reported by the internet site used by Judicial to calculate mileage and another well known internet site for planning trips.

*Effect:* Based on the overpayment of \$252 calculated for one month, we estimate that the lack of monitoring mileage reimbursements for the State Marshal in our sample would result in an overpayment of approximately \$3,000 for the 2005-2006 fiscal year.

Based on the approximate volume of 1,000 mileage reimbursement invoices for serving summary processes each month, we estimate that the annual amount of excess mileage reimbursement was approximately \$50,000 for the 2006-2007 fiscal year. Our projection uses the average mileage reimbursement of \$14.41 for our test sample of 40 and an error rate of 29 percent.

*Cause:* It appears that the State Marshal's mileage reimbursements were approved and paid without reviewing for accuracy during the audited period.

*Recommendation:* The Department should continue to ensure the accuracy of mileage reimbursements for State Marshals serving summary process. (See Recommendation 5.)

*Agency Response:* "Branch policy, in the absence of statutory requirements to utilize a prescribed schedule for determination of driving distances, provides reimbursement based on reasonableness of the submission and which may not always coincide with the shortest route possible. We will nonetheless continue to review the accuracy of mileage reimbursements for State Marshals serving summary process."

### **Purchasing Cards:**

*Criteria:* The use of purchasing cards must follow the Judicial Branch Purchasing Card Program Users Guide which requires: (1) the maintenance of a monthly purchasing log for each card to record purchases, (2) retention of receipts, vendor invoices and packing slips, (3) restrictions on types of purchases allowed, (4) purchases may only be made by employees assigned the purchasing card, and (5) under no circumstances should a transaction be split to avoid the \$500 transaction limit.

*Condition:* Our sample of purchasing card transactions consisted of reviewing documentation for a sample of 20 monthly purchasing logs during the audited period. Our review noted six purchasing card log transactions were missing at least one receipt; several purchases for restricted items such as clothing, equipment rental and an Internet purchase, and four instances where two employees allowed another employee to use their card for several transactions.

We also noted one of the cardholders who allowed another to use their card had purchased items over three days, totaling \$1,439, which appeared to be a restock of computer supplies. Such supplies should be ordered through the Agency business office using a blanket purchase order. Since each day's purchase was under \$500, it also appears the order was split over three days to avoid the single transaction limit of \$500.

*Effect:* Judicial Department employees are not in total compliance with agency purchasing card user requirements. The lack of compliance can result in inappropriate and unauthorized transactions.

*Cause:* It appears that there was a lack of Department oversight to ensure its employees follow appropriate purchasing card procedures.

*Recommendation:* The Department should improve its oversight over the use of State Purchasing Cards by its employees. (See Recommendation 6.)

*Agency Response:* "Purchasing cards are individually authorized based on users' legitimate needs and only for those purchases designated to be necessary for performing that employee's function. Our initial review of the purchases which the audit report described as "restricted" do not consist of items that should be restricted from the individuals making those purchases. As well, where items were purchased that should normally utilize blanket purchase orders, the pricing obtained was as good as or superior to the prices in the contracts that would have been utilized.

We do concur that (1) only the person whose name appears on the purchasing card can use it and (2) purchases may not be segregated and split to avoid transaction limits. Some changes have already been made and we will reinforce to Branch cardholders that only those authorized can use the card."

### **Property Management Payments:**

*Background:* The Judicial Department contracted with four vendors to provide property management services to various administrative/courthouse facilities it leases throughout the State. Such lease payments totaled \$4,591,534 and \$6,051,841 for the 2004-2005 and 2005-2006 fiscal years, respectively. The increase in the 2005-2006 fiscal year expenditures is attributable to the addition of four court facilities using private property management services as well as the annualization of costs for a facility converted during the prior fiscal year.

- Criteria:* The standard Agency contract with a property management vendor has a clause on recordkeeping and access. It requires the vendor to maintain appropriate documentation of expenses and that all records shall be subject to review and audit by the State or applicable Federal agencies.
- Condition:* The Agency receives monthly billings from property management vendors. The bills, mostly copies of original bills, are reviewed to ensure that all expenses are documented. In turn, the billings are forwarded to the Accounts Payable Unit for processing and payment. Our prior review showed that the Judicial Department has not reviewed or audited any of the original records of the property management vendors nor have they ever reviewed or requested any independent audit reports on the vendors. This condition continued to exist during the current audit period.
- Effect:* The property management vendors may submit billings that are erroneous or unsubstantiated by original documentation which may go undetected by the Judicial Department.
- Cause:* The Department has never requested a review of the property management companies' records to determine their extent of internal control and documentation over billed expenses.
- Recommendation:* The Department should improve its internal control and review over payments to property management vendors. (See Recommendation 7.)
- Agency Response:* "The review of property management contracts has not historically been a part of the internal audit routine. However, because utilization of property management contractors by the Branch is increasing substantially, we have determined that such contracts will be regularly reviewed by Internal Audit. Such reviews will include vendor records and documentation as appropriate."

**Insurance for Agency Administered Construction Projects:**

- Criteria:* The Department's contracts require insurance for contractors when work will be performed on or in a Judicial facility.
- Condition:* Our review showed insurance certificates were not on file in four out of 20 cases where contractors were performing work on Judicial facilities. Certificates were obtained for two of the four subsequent to our review. In addition, there were three out of 20 cases tested where insurance certificates on file were lacking a check mark in the appropriate box to indicate proof of insurance for the Connecticut statutory requirement for worker's compensation.

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*Effect:* The State incurs a potential liability when its contractors are working without insurance.

*Cause:* The cause appears to be a lack of oversight in updating the insurance certificate file.

*Recommendation:* The Department should ensure that all contractors have proof of current insurance coverage while working on agency administered construction projects. (See Recommendation 8.)

*Agency Response:* “Insurance certificates are not maintained as part of the original bid file but as an aspect of the award process in a binder by expiration date. Insurance certificates indicate a period of time for which coverage is effective and therefore one certificate may well be all that is required for an individual or organization that is awarded several contracts over a given period.

Our review indicates that insurance was in force for all applicable contracts during the period. However, as audit results indicate that improvements are possible with respect to documenting insurance coverage, the Branch will explore systemic alternatives to improve its documentation practices.”

### **Office of Victim Services:**

*Background:* The Office of Victim Services (OVS) within the Judicial Department is the payer of last resort for the losses suffered by crime victims to a maximum of \$15,000 for personal injury claims and \$25,000 for claims involving a homicide. Claim payments are made from the Criminal Injury Compensation Fund, a Special Revenue Fund financed by monthly transfers of receipts from fines and fees collected by the Judicial Department (initially deposited in the Fines Awaiting Distribution Fund).

*Criteria:* Sound business practice would require proof of payment before reimbursing for expenses.

Claims paid by the OVS are subject to a \$100 deductible. Under Section 5-210(a), subsection (5), of the General Statutes, the Department is given the discretion to waive the \$100 deductible under its established procedures. One such procedure is the victim or claimant must first submit an OVS form for requesting the waiver of the \$100 deductible.

Under Section 54-208(c) of the General Statutes, when determining the amount of compensation, OVS shall take into consideration amounts that the applicant has received from any other sources such as insurance benefits.

Under Section 53a-139 of the General Statutes it is a Class D Felony to falsely make a written instrument that is a public record with the intent to defraud. In addition, a fundamental function of government is to protect its citizens from those who engage in any form of criminal or illegal activities. This would include situations where any potential violation of either State or Federal laws occurs during the course of a public employee's duties. Such knowledge of improprieties should be reported to the appropriate governmental authorities.

*Condition:*

1. Documentation of claim payments - Our review of claim payments showed several cases where reimbursements were paid based on vendor bills submitted without any supporting documentation as to who paid the bill as follows:

a) A funeral home bill was reimbursed for \$4,000. It showed that services were paid in full but did not show who paid the bill.

b) A claim payment for psychotherapy services for \$594 was not adequately supported with documentation of payment by the claimant. There was no cancelled check or statement from the provider specifically stating who had paid and the method of payment.

c) A claim where a portion of the reimbursement, four claim payments totaling \$2,241, did not sufficiently document the payer. These were a medical bill for \$450 and two ambulance bills for \$458 each, each had a handwritten note on the billing by the claims examiner stating "paid by patient". The fourth was payment supported by an out of state orthopedic patient ledger detail statement showing an \$877 payment with no reference or documentation as to who paid or the method of payment.

2. Exemption of \$100 deductible - Our test of claim payments found 9 out of 25 instances where payments were exempted from the initial \$100 deductible requirement but the files did not have the waiver request form on file or the claimant submitted an incomplete form.

3. Exclusion of insurance proceeds - During our review, we noted a particular claim case where a funeral expense was paid from a life insurance burial clause. We were informed that if the clause had not been in the life insurance policy, the proceeds would not have been considered as a collateral source for funeral expenses. Despite statutory allowance for the inclusion of insurance benefits as collateral, OVS does not consider the life insurance policy as collateral unless it contains a provision specifically providing for the cost of funeral and/or burial services. OVS explains that this procedure allows relatives of victims access to the maximum benefit that the statute allows OVS to award. This

practice appears questionable since it allows OVS discretion instead of seeking funds from all sources.

4. Reporting of illegal activities - Our review of claim payments found instances where staff was aware of situations where a claimant provided a false social security number, paid medical claims for illegal immigrants and/or made medical claim payments for victims who were receiving “under the table” payments from their employer. In the above situations, OVS did not notify the appropriate authorities to report such illegal activities. We were informed that OVS procedures do not address reporting such potential violations to the relevant State or Federal Government agencies.

*Effect:* The lack of documentation for the source of payments on reimbursable billings could result in improper or incorrect payments.

The lack of properly completed waiver forms on file for the initial \$100 claim payment deductible shows an inconsistency in oversight which lessens the assurance that such waivers are properly authorized.

The exclusion of insurance proceeds from determining compensation benefits, unless there is a provision for paying funeral expenses, increases the burden on the State to make compensation payments.

The lack of procedures to address the reporting of illegal activities allows for the continuance of such activities and the loss of taxable revenue to the State and Federal government.

*Cause:* OVS considers the submission of a bill sufficient to document payment of a reimbursable expense.

We could not determine the reason for the lack of completed forms for waiving the \$100 deductible for claim payments.

The exclusion of insurance benefits in determining compensation payments except for clauses specifying payments for funeral expenses was to allow claimants to increase their compensation awards.

OVS has not established any policies or procedures for reporting any potentially illegal activities by its applicants since there are no laws or regulations that require it. Also, there are no laws or regulations which prohibit victim compensation payments to illegal workers and/or workers receiving wages that are not reported for tax purposes.

*Recommendation:* The Office of Victim Services should (1) require proof of payment for victims receiving compensation, (2) ensure complete forms are on file for

victims receiving a waiver on the \$100 deductible for claims payments, (3) consider all allowable sources of funds including insurance benefits in determining compensation payments and (4) develop procedures to report any illegal activities noted by claim reviewers to the proper governmental authorities. (See Recommendation 9.)

*Agency Response:* “The Office of Victim Services (OVS) operates in accordance with Article XXIX of the Amendments to the Constitution of the State of Connecticut which provides that the rights of crime victims do not differentiate on the basis of citizenship. Financial compensation is provided to eligible crime victims and their relatives by reimbursing them for qualified expenses not covered by collateral sources, such as insurance. One objective is to provide accurate compensation in as timely a fashion as is practicable and rigid payment verification routines, similar to those implemented in such programs as Medicaid which may utilize reviews of an individual’s bank records, have not been determined to be appropriate in this environment. The requisite control in this area has been to verify the propriety of reimbursements to victims through the substantiation of invoices through direct contact with providers.

Nevertheless, the OVS policies and procedures manual is being revised and, upon completion, it will be sure to include all areas identified above. Compliance with waiver documentation requirements, for example, has already been reiterated and included. The remaining areas are being researched and any modifications to current practice that may be appropriate will be included.”

**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:* The Department’s Internal Audit Unit reports instances of untimely deposits in accordance with Section 4-33a of the General Statutes every three months. The untimely deposits are discovered during the Unit’s regularly scheduled audits of Court locations. Our review found the incidence of late deposits reported does not appear significant in consideration of the large statewide volume of Department receipts.

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

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*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:* No recommendation is warranted.

## RECOMMENDATIONS

Our prior report on the Judicial Department covered the fiscal years ended June 30, 2003 and 2004, and contained six recommendations. The following is a summary of those recommendations and the action taken by the Judicial Department.

- The Office of Victim Services should revise its procedures and records to improve the efficiency and monitoring of claims recoveries. Our current review found that this recommendation was sufficiently resolved.
- The Department should improve its oversight and documentation over attendance matters. This recommendation has been resolved except for matters involving compensatory time. (See Recommendation 2.)
- The Department should improve its property control records. This recommendation is being repeated (See Recommendation 3.)
- The Bar Examining Committee checking account should be closed with its activities accounted for in a restricted General Fund account. This recommendation is being repeated with an additional finding. (See Recommendation 4.)
- The Department should improve its internal control and review overpayments to property management vendors. This recommendation is repeated. (See Recommendation 5.)
- The Department should ensure that all contractors have proof of current insurance coverage while working on agency administered construction projects. This recommendation is being repeated. (See Recommendation 8.)

### *Current Audit Recommendations:*

- 1. The Department should ensure annual evaluations are performed for all its employees and personnel files contain all relevant information about an employee's history.**

#### Comment:

Our review found the Department was not performing annual evaluations of its employees and segregates any disciplinary actions or agreements from employee personnel files.

- 2. The Department should ensure all compensatory time is properly approved before it is earned.**

Comment:

Our review showed an overall lack of supervisory approval of employees taking compensatory time.

- 3. The Department should improve its property control records.**

Comment:

Additions and deletions reported on the annual inventory report under the category of "Furnishings and Equipment" to the State Comptroller were not clearly documented. Our test of inventory records showed numerous items were not accurately recorded.

- 4. The Bar Examining Committee should close its checking account with its activities accounted for in a restricted General Fund account and improve monitoring over the timeliness of payments.**

Comment:

The Bar Committee's checking account is unnecessary since its financial activities could be accounted for in a General Fund restricted account by the Department's business office. Our test of disbursements showed several instances of significant delays in paying bills.

- 5. The Department should continue to ensure the accuracy of mileage reimbursements for State Marshals serving summary process.**

Comment:

Our review showed a lack of monitoring of driving distances for State Marshals serving summary process which appears to be improved under procedures implemented during the 2007-2008 fiscal year.

- 6. The Department should improve its oversight over the use of State Purchasing Cards by its employees.**

Comment:

Our review found a lack of consistency in Department employees following State Purchasing Card requirements.

**7. The Department should improve its internal control and review overpayments to property management vendors.**

Comment:

The Department makes substantial monthly payments for property management services for facilities it leases throughout the State. While contract provisions allow for State review and audit of vendor records and documents, the Department hasn't performed any such review or audit. Most payments are made based on copies of billings submitted by the vendors.

**8. The Department should ensure that all contractors have proof of current insurance coverage while working on agency administered construction projects.**

Comment:

Our review showed insurance certificates, required by Agency policy, were not on file in four out of 20 cases reviewed. In addition, for three out of 20 cases tested, the insurance certificates on file were lacking a check mark in the appropriate box to indicate proof of insurance for the Connecticut statutory requirement for worker's compensation.

**9. The Office of Victim Services should (1) require proof of payment for victims receiving compensation, (2) ensure complete forms are on file for victims receiving a waiver on the \$100 deductible for claims payments, (3) consider all allowable sources of funds including insurance benefits in determining compensation payments and (4) develop procedures to report any illegal activities noted by claim reviewers to the proper governmental authorities.**

Comment:

Our test check found several cases where documentation was lacking to prove claimants actually paid for reimbursable medical services and also numerous cases where the waiver form for the standard \$100 deductible on a claim payment was incomplete. We found that although insurance benefits are to be considered in determining the amount of compensation, OVS would only allow insurance proceeds to offset compensation if the insurance policy has a specific clause to pay funeral expenses. We also found that OVS has no procedures for reporting to the proper authorities in cases where claimants have been receiving unreported earnings, are not legal citizens or have been using a false social security number.

## 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, 2005 and 2006. 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 Judicial Department for the fiscal years ended June 30, 2005 and 2006, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial 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, 2005 and 2006, 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 *Government Auditing Standards*. However, we noted certain immaterial or less than significant instances of noncompliance which are described in the accompanying "Condition of Records" and "Recommendations" sections of this report.

### **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's 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 property control and lack of monitoring of property management billings.

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, we believe that neither of the reportable conditions described above is 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.

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