

STATE OF CONNECTICUT

**AUDITORS' REPORT
PROBATE COURT ADMINISTRATOR
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

**AUDITORS OF PUBLIC ACCOUNTS
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**AUDITORS' REPORT
PROBATE COURT ADMINISTRATOR
FOR THE FISCAL YEARS ENDED JUNE 30, 1999 AND 2000**

We have made an examination of the financial records of the Probate Court Administrator for the fiscal years ended June 30, 1999 and 2000.

Financial statements pertaining to the operations and activities of the Probate Court Administrator for the fiscal years ended June 30, 1999 and 2000, are presented and audited on a Statewide Single Audit basis to include all State agencies and funds. This audit examination has been limited to assessing the Probate Court Administrator's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the internal control structure policies and procedures established to ensure such compliance.

This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

COMMENTS

FOREWORD:

The Probate Court Administrator (PCA) operates under Title 45a, Chapter 801, of the General Statutes and is responsible for the efficient operation of the probate court system. His duties involve the review of the accounting, recording, filing and other procedures of the courts of probate, and the recommendation of uniform rules and practices which become binding upon all probate courts upon adoption. The Honorable F. Paul Kurmay served as Probate Court Administrator throughout the audited period, and continues to serve in that capacity.

The Probate Court Administrator, whose primary duty includes the supervision of the probate courts throughout the State, reviews the administrative and financial operations of the courts to ensure that legislative changes and rules of probate are being followed and that the courts are operated efficiently. Section 45a-77, subsection (d), of the General Statutes requires the

Administrator, or his designee, to visit and examine court records and files at least once during each two-year period and Section 45a-77, subsection (c), requires the Administrator to regularly review financial operations.

Operations of the Office of the Probate Court Administrator are financed from the Probate Court Administration Fund, a Special Revenue Fund, which operates under Section 45a-82 of the General Statutes. Revenues consist primarily of assessments, as specified in Section 45a-92, on the net income of each of the probate courts, and interest on surplus funds held and invested by the State Treasurer who is the custodian of the fund. Expenditures primarily cover the current operating expenses of the Probate Court Administrator.

The State Treasurer also acts as custodian of the Probate Judges' and Employees' Retirement Fund which operates under Sections 45a-34 through 45a-57 of the General Statutes. The State Employees' Retirement Commission administers this retirement system and periodically bills the Probate Court Administration Fund to cover the cost of administering the Retirement Fund and for the amounts required to establish and maintain an actuarial funding program.

The Administrator meets at various times during the year with the Connecticut Probate Assembly, consisting of all probate judges in the State, and various committees of the Probate Assembly. Procedures, policies, and problem areas are discussed in order to improve the efficiency and effectiveness of the probate court system.

Legislation During Audited Period:

Legislation affecting fiscal and administrative matters of the Office of the Probate Court Administrator that became effective during the two year audited period is summarized as follows:

Section 1 of Public Act 96-60 of the February 1996 Regular Session of the General Assembly, effective January 6, 1999, amended Section 45a-2, subsection (e), of the General Statutes eliminating the probate district of Chaplin and including the town of Chaplin in the probate district of Eastford.

Section 1 of Public Act 98-1 of the February 1998 Regular Session of the General Assembly, effective January 6, 1999, amended Section 45a-2, subsection (h), of the General Statutes merging the probate district of Coventry into the probate district of Mansfield and merging the probate district of Somers into the probate district of Stafford.

Section 1 of Public Act 98-219 of the February 1998 Regular Session of the General Assembly, effective January 1, 1999, amended Section 45a-92, subsection (c), of the General Statutes by revising the method of computation of percentage of annual net income payable to the State Treasurer by probate judges. Section 2 of the Act amended Section 45a-20 of the General Statutes, and increased per diem rates of three-judge courts from \$100 to \$250.

Sections 11 through 13 of Public Act 99-84 of the January 1999 Regular Session of the General Assembly, effective October 31, 1999, amended subsections (a), (b) and (g) of Section 45a-92 and Section 45a-93, of the General Statutes by deleting the requirement that judges' income statements

must be “sworn” to, and allowing for judges statements to be “signed under penalty of false statement”.

Scope of Audit:

Our examination of the accounts and records of the Probate Court Administrator pertaining to the Probate Court Administration Fund consisted principally of the verification of revenues deposited with the State Treasurer and expenditures and transfers made from the Fund. Our examination also included a review of the Probate Court Administration Fund's investment in the State's Short-Term Investment Fund (STIF).

Since the Probate Court Administrator is also the Probate Judge for the district of Stratford, our audit included the Stratford Probate Court, as required by Section 45a-92, subsection (d), of the General Statutes. Our review of the Stratford Probate Court covered the calendar years ended December 31, 1999 and 2000, and included a review of the court's bank account, revenues, expenses and assessments paid to the Probate Court Administration Fund.

RÉSUMÉ OF OPERATIONS:

Cash Receipts and Disbursements:

The Probate Court Administration Fund's major source of revenues are assessments due from the judges of the various probate districts based on estimated and annual net income reports filed by them and on re-computations determined by the Administrator's staff.

A summary of the components of cash receipts for the audited period, as compared to the period ended June 30, 1998, is shown below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Assessments	\$5,151,931	\$7,006,900	\$8,020,394
Interest and penalty charges	2,018	4,645	4,617
Sale of probate manuals	1,245	2,035	1,195
Refunds of expenditures	327,019	464,301	473,083
Sale of investments	995,680	855,218	1,579,287
Investment income	725,479	786,365	1,087,551
Miscellaneous receipts	<u>7</u>		
Total Cash Receipts	<u>\$7,203,379</u>	<u>\$9,119,464</u>	<u>\$11,166,127</u>

The increase in total receipts for the audited period was mainly due to increased assessments of probate district courts, principally from decedents' estates. Sales of investments during the audited period were made to meet normal cash needs and to fund the Probate Judges' and Employees' Retirement Fund deficit. During the audited period investment income increased due to increases in the investment balance and the applied interest rate, as shown below.

A summary of the components of cash disbursements for the audited period, as compared to the

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period ended June 30, 1998, is shown below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>
Administrative expenditures	\$3,763,917	\$3,396,739	\$3,976,801
Purchase of investments	2,175,479	4,736,365	5,377,551
Expenses of participating in Probate Judges' and Employees' Retirement Fund	36,739	39,976	39,411
Refunds of overpayments	27,424	23,465	26,526
Refunds of expenditures	14,635	81,161	15,984
Health insurance contributions	312,384	383,140	457,099
Transfers to the Probate Judges' and Employees' Retirement Fund	<u>760,680</u>	<u>605,218</u>	<u>979,287</u>
Total Cash Disbursements	<u>\$7,091,258</u>	<u>\$9,266,064</u>	<u>\$10,872,659</u>

Administrative expenditures, which cover current operating expenses of the Probate Court Administrator, increased six percent over the audited period. Such expenditures consisted mainly of costs for personal services, employee fringe benefits, attorney fees, outside consulting services, and health insurance premiums. The increase in expenditures over the audited period can be attributed primarily to increases for outside consulting services, attorney fees and health insurance premiums. Outside consulting services were obtained to enable the PCA to re-write the Probate Administration Case Management System program and for year 2000 upgrades for certain computer systems. Attorney fees were expended for representation of indigent applicants in the courts, which experienced significant increases in custody matters. Expenditures for health insurance premiums are for participation of probate judges and employees in the health insurance plans authorized by Section 5-259 of the General Statutes; the increases for the audit period can be attributable to increased employee participation and increases to the plans' costs.

The Probate Judges' and Employees' Retirement Fund transfers were necessary in order to cover recommended employer contributions and retiree health insurance costs. Amounts transferred were determined by valuations certified by the Retirement Commission, based on an actuarial determination from its consulting actuaries, and/or the Retirement and Benefits Services Division of the Office of the State Comptroller.

Purchases of investments exceeded sales by approximately \$3,800,000 for each of the fiscal years ended June 30, 1999 and June 30, 2000. Surplus funds of the Probate Court Administration Fund are invested in a STIF account administered by the State Treasurer.

Operating Earnings:

A summary of net income for the fiscal years ended June 30, 1999 and 2000, as compared with the fiscal year ended June 30, 1998, is presented below:

	<u>Fiscal Year Ended June 30,</u>		
	<u>1998</u>	<u>1999</u>	<u>2000</u>

Earnings from operations	\$1,410,915	\$3,267,572	\$4,324,056
Investment earnings	<u>725,479</u>	<u>786,365</u>	<u>1,087,551</u>
Net income	<u>\$2,136,394</u>	<u>\$4,053,937</u>	<u>\$5,411,607</u>

The significant increase in earnings is attributable to increased assessments paid to the Probate Court Administration Fund in the fiscal year ended June 30, 1999, that continued through the 2000 fiscal year. During that period, expenditures decreased slightly. The investment earnings increased as a result of the increase in the STIF balance and a corresponding increase in the interest rate applied. Revenues exceeded expenditures and transfers by \$7,881,039 over the two-year period covered by this report, increasing the fund balance of the Probate Court Administration Fund to \$22,006,914, as of June 30, 2000. The balance of surplus funds invested in STIF was \$21,157,648 as of June 30, 2000. See the “Condition of Records” and “Recommendations” sections of this report.

Stratford Probate Court:

Under the provisions of Section 45a-92, subsection (d), of the General Statutes, the books and records of the probate court of any judge acting as Probate Court Administrator shall be audited by the Auditors of Public Accounts at the beginning of his term as Administrator and, after that, at least annually. As previously noted, the Probate Court Administrator is also Probate Judge for the district of Stratford.

In addition, Section 45a-92, subsection (d), of the General Statutes provides that a judge holding the position of both district probate judge and that of Probate Court Administrator may not receive compensation from the net income derived from his district court. However, the Probate Court Administrator is entitled to retain, as compensation, fees received after but earned before his appointment. Revenues are apportioned to the successor Probate Court Administrator and the court based on dates of filing of pertinent documents and in proportion to the completion status of each open estate. The accounting for work in process as of the close of business on January 3, 1995, was prepared by the Administrator's staff from computerized open estate files and records located at the Stratford court, and reviewed in prior audits. Follow-up on collections was done through May 8, 1997 by PCA staff, and apportioned to the Judge as required. In our prior auditors' report we noted that there was at least one collection made after that date that was not apportioned to the Judge; our current review disclosed that no action had been taken. The Judge decided to waive any future claims.

Our review of the Stratford Probate Court covered the calendar years ended December 31, 1999 and 2000, included a review of the court's bank account, revenues, expenses and assessments paid to the Probate Court Administration Fund. These records were reviewed to determine that the Stratford Probate Court income reports for each of the years reviewed were supported by documentation at the court, and that the amounts presented were reasonable, based on the records. Desk reviews by the Administrator's staff and annual field audits performed by the Administrator's internal auditor were also reviewed. Income reports filed by the Court indicated net income amounts of \$157,805 and \$153,599 for the calendar years ended 1999 and 2000, respectively. These amounts were paid to the Probate Court Administration Fund, as required by Section 45a-92, subsection (d), of the General

Statutes. Based on our review, the amounts presented on the income reports for the calendar years ended 1999 and 2000 were supported by documentation at the Stratford Probate Court, and the amounts were reasonable. However, our review disclosed that the Stratford Probate Court has conflicting personnel policies in respect to the accrual and usage of vacation and sick leave benefits and inadequate recordkeeping for leave time. This matter is disclosed in the “Condition of Records” and “Recommendations” sections of this report.

Council on Probate Judicial Conduct:

The Council on Probate Judicial Conduct operates under the provisions of Sections 45a-62 through 45a-68 of the General Statutes, and is responsible for investigating any complaint involving a judge of probate. As of June 30, 2000, the members of the Council on Probate Judicial Conduct were as follows:

	<u>Term Expires</u>
Appointed by the Chief Justice:	
Arthur H. Healey, Chairman	September 30, 2003
John C. Flanagan, Substitute for Chairman	September 30, 2003
Elected by the Probate Assembly:	
Philip D. Main	September 30, 2003
Appointed by the Governor:	
Cameron F. Hopper, Esq.	September 30, 2003
Thomas J. Gallagan	September 30, 2003
Janet M. Wildman	September 30, 2003

Section 45a-67 of the General Statutes provides that any sums expended on behalf of the Council be appropriated from the Probate Court Administration Fund. Expenditures applicable to the Council on Probate Judicial Conduct totaled \$35,358 and \$34,208 during the fiscal years ended June 30, 1999 and 2000, compared with \$43,298 and \$34,575 for fiscal years ended June 30, 1997 and 1998, respectively. Expenditures consisted of per diem compensation and travel expenses paid to Council members and fees for outside professional services.

CONDITION OF RECORDS

Our review of the financial records of the Probate Court Administrator and the Stratford Probate Court revealed the following areas that warrant comment.

Periodic Transfers from the Probate Court Administration Fund to the General Fund:

Background: In our prior auditors' report we recommended that the Probate Court Administrator make periodic transfers from the Probate Court Administration Fund to the General Fund, in accordance with the provisions of Section 45a-82 of the General Statutes. The following is a result of our current review.

Criteria: Section 45a-82, subsection (b) of the General Statutes permits the investment and reinvestment of Probate Court Administration Fund monies that are not required for current disbursements. Section 45a-82, subsection (d) requires monthly transfers to be made to the Probate Judges' and Employees' Retirement Fund, until it is certified to be on a sound actuarial basis. Section 45a-82, subsection (f), indicates that, in addition to the aforesaid payments, once the Probate Judges' and Employees' Retirement Fund is on a sound actuarial basis, there shall be transferred from time to time from the Probate Court Administration Fund to the General Fund such amounts as are determined by the PCA not to be required for the purposes of Sections 45a-20 and 45a-76 to 45a-83, inclusive. Section 45a-83 allows for transfers from the General Fund to the Probate Court Administration Fund if that fund becomes insufficient to pay the several charges to be paid from it.

Condition: The most recent transfer from the Probate Court Administration Fund (PCAF) to the General Fund occurred during the fiscal year ended June 30, 1992, and was for \$5,000,000. The PCAF balance in its Short-Term Investment Fund (STIF) account at that time was \$8,218,500. The balance in that account has increased to \$21,157,648 as of June 30, 2000. Transfers of \$703,151, \$688,203, \$760,680, \$605,218 and \$979,287 were made to the Probate Judges' and Employees' Retirement Fund for each fiscal year ended June 30, 1996 through June 30, 2000, respectively, as required. Despite those transfers, the STIF balance increased by approximately \$10,000,000 over that five-year period. Based on the above, it does not appear that the entire invested balance is required for current disbursements.

Cause: Transfers were not made due to the PCA's continuing belief that the phase out of the succession tax will have a substantial adverse effect upon the revenues received by the probate courts and ultimately the PCA's office. Also, the PCA anticipates that the PCAF will soon be

needed to help keep the State's 130 probate courts in operation.

Effect: The PCAF invested balance continues to increase. Monies that could be deposited in the General Fund from time to time are being retained in the PCAF.

Recommendation: The Probate Court Administrator should make periodic transfers from the Probate Court Administration Fund to the General Fund, in accordance with the provisions of Section 45a-82 of the General Statutes. (See Recommendation 1.)

Agency Response: “As stated in previous audit reports, the Connecticut Probate system will experience a substantial and precipitous decline in revenues, beginning in 2003, as a result of the phase-out of the State’s succession tax. This Office projects that the Probate Administration Fund will incur deficits beginning in 2003; which will quickly erode the present surplus, completely eliminating it in 2006. It would be irresponsible for the Probate Court Administrator to transfer the present “surplus” funds to the State’s General Fund, given the imminent fiscal crisis facing the probate court system. The Probate Court Administrator is not willing to chance the State’s advance of potentially millions of dollars of funds (not appropriated by the Governor and the General Assembly) to cover the absolute certainty of large deficits in the future. If the State were to dispute the request for deficit funding, the resulting litigation could be lengthy and could severely disrupt the administration of probate justice.”

Auditors' Concluding Comments:

Cash accumulations in the Probate Court Administration Fund greatly exceed current disbursement requirements. Such accumulations are not necessary since Section 45a-83 of the General Statutes allows for transfers from the General Fund to the Probate Court Administration Fund, should the need for additional funding arise. Therefore the Probate Court Administrator should comply with Section 45a-82, subsection (f), of the General Statutes and transfer the excess cash accumulations from the Probate Court Administration Fund to the General Fund.

Inventory of Probate Court Forms:

Background: In our prior auditors’ report we recommended that the Probate Court Administrator maintain an adequate perpetual inventory system of probate court forms stored at its printer’s warehouse and reconcile those records to periodic physical inventories. The following is a result of our current review.

Criteria: Maintaining an adequate perpetual inventory system for supply inventories, in this case probate court forms, is a good business practice

that enhances internal control over the inventory of these forms.

Condition: The Probate Court Administrator (PCA) maintains a large inventory of forms for use by the probate courts. Due to lack of storage space at the PCA office, the forms are stored at the printer's warehouse. The printer also notifies the PCA when specific forms need to be printed. PCA staff conducted a physical count of forms inventory on June 30, 1999. A physical inventory was not taken during fiscal year 2000. We were informed that the printer conducted a physical inventory on April 9 and 10, 2001. A review of the documentation provided to the PCA by the printer, revealed several variances between recorded data and physical counts of the forms. There was no explanation provided by the vendor for the variances and no follow-up was pursued by the PCA during the audited period.

Cause: We did not determine the cause.

Effect: This condition can result in either an over or under supply of specific forms, since there is not a record of the current balances of these forms. Also, under the current system, any misplaced forms would go undetected, resulting in additional printing charges.

Recommendation: The Probate Court Administrator should maintain an adequate perpetual inventory system of probate court forms stored at its printer's warehouse and reconcile those records to periodic physical inventories. (See Recommendation 2.)

Agency Response: "For the last several years, a staff member of this Office has been assigned the responsibility of maintaining an inventory of court forms maintained at ... [the printer's warehouse]. A physical inventory was performed by this [PCA] employee on June 30, 1999. A copy of the [PCA] inventory is sent to ... [the printer] quarterly. It then compares ... [PCA] inventory with its own, and any discrepancy is then addressed by the two parties.

A physical inventory was not done for fiscal year 1999-2000, due in part, to the fact that the forms were being moved from one building to another. A physical inventory was done by ... [the printer] in April 2001. This Office began its own on-site inventory July 19, 2001, which was completed in August 2001. There are still some minor variances between the printer's inventory and this Office's [PCA's] forms count; we are currently in the process of reconciling these differences."

Personnel Policies of the Probate Courts:

Background: In our prior auditors' report we recommended that each probate court be required to develop written personnel policies for employee benefits, that are required to be approved by, and on file with, the Probate Court Administrator. The following is a result of our current review.

Criteria: The establishment of written personnel policies pertaining to the accrual, usage and payment of sick and vacation leave, and other employee benefits is a good business practice that provides employees with established and consistent guidelines relating to employee benefits.

Condition: Our prior auditors' report noted that from a review of the Probate Court regulations and discussions with PCA staff, the courts are not required to draft written personnel policies, but some do have them. We also noted from responses to a questionnaire from the Connecticut Probate Assembly concerning salaries and benefits of Probate Court employees, that several courts that responded do not have policies regarding sick leave, and some have policies that can be considered unreasonable, such as unlimited use, or an ad hoc policy. Most of the courts responding to the questionnaire indicated they have a vacation leave policy. The aforementioned issues were not addressed during the audit period.

However, on July 17, 2001 the Probate Court Administrator formally requested that each Probate Court judge develop a personnel policy for court employees and provide a copy of the policy to the Office of the Probate Court Administrator no later than October 1, 2001. An attachment to the request included a sample personnel policy statement, which was "suggested" as a guideline. The suggested model includes medical and vacation leave discussions, including permitted leave parameters, (actual policy to be determined by each court). The model also includes a section on "personal time" which notes, "the judge shall approve reasons for personal time," this discussion gives no consideration to a limit of time permitted.

Cause: We did not determine the cause.

Effect: Some probate courts are functioning without personnel policies for certain employee benefits and others can be considered unreasonable.

Recommendation: Each probate court should be required to develop written personnel policies for employee benefits that are required to be approved by, and on file with, the Probate Court Administrator. (See Recommendation 3.)

Agency Response: "This Office has notified the courts of their responsibility and has requested proof of compliance. The Office's periodic audit of the individual courts will include the review of this issue."

Stratford Probate Court Personnel Policies and Records:

Background: In our prior auditors' report we recommended that the Stratford Probate Court maintain attendance and leave records that support its personnel policies and the payments made to employees for sick and vacation leave. The following is a result of our current review.

Criteria: The establishment of written personnel policies pertaining to the accrual, usage and payment of sick and vacation leave, and other employee benefits is a good business practice that provides employees with established and consistent guidelines relating to employee benefits. Recordkeeping should support the established policies.

Condition: As reported in our prior auditors' report, the Judge established written personnel policies dated May 25, 1999. This policy allows for monthly accruals of vacation and sick leave, up to a maximum number of days. During our on-site visit to the Stratford Probate Court April 17, 2001, we requested a copy of the personnel policies on file for employee reference; we were given a policy statement dated May 24, 1999. These policies contain conflicting statements in respect to the accrual and usage of sick and vacation leave. Additionally, our review disclosed that the records maintained at the court currently do not support either policy.

Signed weekly time sheets for court employees are not required. Sick and vacation usage is recorded informally for each employee. These records do not include monthly balances of accrued and used leave time. It appears that vacation and sick benefits are not based on time earned as stated in both policy statements noted previously. Employees, based on predetermined rates, are credited with yearly vacation accruals on January 1. Sick time used is recorded as used, but no balance is maintained.

Cause: We did not determine the cause.

Effect: Personnel/payroll policies and records are inadequate and may lead to unsupported payments for leave time.

Recommendation: The Stratford Probate Court should develop clearly defined written personnel policies and provide a copy of the approved policies to all employees; and the Court should maintain attendance and leave records that support its personnel policies. (See Recommendation 4.)

Agency Response: "Acting upon a prior recommendation of the Auditors of Public Accounts, the Stratford Probate Court established a written policy dated May 25, 1999, which was distributed to all employees and continues to be maintained in the Court's records. Unfortunately, a prior draft, dated May 24, 1999, also remained in those records, but should have been

discarded. The written policy of May 25, 1999 continues in effect. The Clerk maintains a written log of each employee's use of vacation, personal and sick days. As to the issue of compliance, the judge and staff thought they were in compliance. The judge has instructed his Clerk to maintain a careful log for each employee, indicating the total number of vacation, sick and personal days to which they are entitled, as of the first of January of each year, together with any permissible carry-over from the prior year. Thereafter, each day, or part of a day, used for each category shall be appropriately entered. At the end of the year, the log shall indicate what days, if any, may be carried over to a subsequent year."

"This condition did not result in any financial loss."

Auditors' Concluding Comments:

At the time of our on-site visit to the Stratford Probate Court we requested a copy of the personnel policy in effect for the audit period from the Clerk; we were given a copy of the May 24, 1999 policy. Having a copy of the May 25, 1999 policy within our prior audit working papers we inquired of court personnel as to which policy was followed and were informed the May 24, 1999. Additionally, subsequent review of payroll and personnel records disclosed that neither policy was followed in all instances. In respect to employees' "entitled" days for vacation and sick leave; employees' leave records were credited with yearly vacation accruals on January 1, sick leave was unspecified; in either case leave rates were not based on earned benefits as stated in both policy statements.

RECOMMENDATIONS

Status of Prior Audit Recommendations:

Our prior auditors' report on the Probate Court Administrator (PCA) contained six recommendations. Of the six recommendations two have been resolved and four have been restated and/or repeated herein as current audit recommendations.

- The transactions and activity of the Probate Assembly should be accounted for on the State's books within the Probate Court Administration Fund. The Probate Court Administrator has stated that the by-laws of the Probate Assembly provides for appropriate checks and balances in the expenditure and investment of the Assembly's funds. The Probate Court Administrator has also stated that the Office [of the Probate Court Administrator] will continue to monitor the workings of the Assembly and will take appropriate action if and when required. We are not repeating this recommendation at this time.
- The Probate Court Administrator should make periodic transfers from the Probate Court Administration Fund to the General Fund, in accordance with the provisions of Section 45a-82 of the General Statutes. This recommendation has not been complied with and is repeated as Recommendation 1.
- The Probate Court Administrator should maintain an adequate perpetual inventory system of probate court forms stored at its printer's warehouse and reconcile those records to periodic physical inventories. Testing again disclosed inadequate controls in respect to maintenance of a perpetual inventory system of probate court forms; also the PCA did not conduct a physical inventory for fiscal year 2000. This recommendation has not been complied with and is repeated as Recommendation 2.
- Each probate court should be required to develop written personnel policies for employee benefits that are required to be approved by; and on file with, the Probate Court Administrator. This recommendation has not been complied with and is repeated as Recommendation 3.
- The Stratford Probate Court should maintain attendance and leave records that support its personnel policies and the payments made to employees for sick and vacation leave. In respect to unsupported payments made to employees for leave time, the previous auditors' report noted that one employee on extended sick leave received payments from August 1998 to completion of that review May 26, 1999. Our current review disclosed additional payments to this employee through July 28, 1999 at which time the employee retired. Also, the court records maintained for attendance and leave records did not support the May 25, 1999 policy as written. However, our current review disclosed that the personnel policy given to court employees was dated May 24, 1999 and contained conflicting policies in respect to vacation and sick accruals and usage of leave time, and neither supported the records maintained at the court. This portion of the recommendation will be restated as Recommendation 4.
- The Probate Court Administrator should monitor the expenditures of his court to ensure that they do not exceed \$100 except with the approval of the Chief Court Administrator, as required by

Section 45a-92, subsection (d) subdivision (4), of the General Statutes. Our current review did not disclose any expenditures exceeding the approved budgets. This recommendation has been sufficiently resolved.

The following four recommendations have been repeated and/or restated from our prior auditors' report.

Current Audit Recommendations:

1. The Probate Court Administrator should make periodic transfers from the Probate Court Administration Fund to the General Fund, in accordance with the provisions of Section 45a-82 of the General Statutes.

Comments:

The most recent transfer from the Probate Court Administration Fund (PCAF) to the General Fund occurred during the fiscal year ended June 30, 1992, and was for \$5,000,000. The PCAF balance in its Short-Term Investment Fund (STIF) account at that time was \$8,218,500. The balance in that account has increased to \$21,157,648 as of June 30, 2000.

2. The Probate Court Administrator should maintain an adequate perpetual inventory system of probate court forms stored at its printer's warehouse and reconcile those records to periodic physical inventories.

Comments:

The Probate Court Administrator (PCA) maintains a large inventory of forms for use by the probate courts. Due to lack of storage space at the PCA office, the forms are stored at the printer's warehouse and the printer notifies the PCA when specific forms need to be printed. The PCA did not take a physical inventory of forms during fiscal year 2000. The printer conducted a physical inventory during April 2001; the results submitted to PCA disclosed several variances between PCA's recorded data and the actual forms on-hand.

3. Each probate court should be required to develop written personnel policies for employee benefits, that are required to be approved by, and on file with, the Probate Court Administrator.

Comments:

The probate courts are not required to draft written personnel policies, but some do have them. We note from responses to a questionnaire from the Connecticut Probate Assembly concerning salaries and benefits of Probate Court employees, several courts that responded

do not have policies regarding sick leave, and some have policies that can be considered unreasonable, such as unlimited use, or an ad hoc policy. Most of the courts responding to the questionnaire indicated they have a vacation leave policy. On July 17, 2001 the Probate Court Administrator formally requested that each Probate Court judge develop a personnel policy for court employees and provide a copy of the policy to the Office of the Probate Court Administrator no later than October 1, 2001.

- 4. The Stratford Probate Court should develop clearly defined written personnel policies and provide a copy of the approved policies to all employees; and the Court should maintain attendance and leave records that support its personnel policies.**

Comments:

Our review disclosed that two policy statements existed for sick and vacation leave benefits for employees of the Stratford Probate Court, and neither policy was followed in practice. Additionally our review disclosed that signed weekly time sheets for employees are not required, vacation and sick leave benefits are not based on time earned, and recordkeeping for leave time is inadequate.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Probate Court Administrator 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 Probate Court Administrator for the fiscal years ended June 30, 1999 and 2000, are included as a 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 Probate Court Administrator 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 Probate Court Administrator is the responsibility of the Probate Court Administrator's 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 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 Probate Court Administrator 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 Probate Court Administrator'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 a certain matter involving the internal control over the Agency's financial operations, safeguarding of assets, and/or compliance that we consider to be a reportable condition. 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 finding represents a reportable condition: the lack of perpetual inventory records for probate court forms.

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 the reportable condition described above is not 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

We wish to express our appreciation for the courtesies and cooperation extended to our representatives by the personnel of the Probate Court Administrator and the Stratford Probate Court during the course of our audit.

Michele L. Cosgrove
Associate Auditor

Approved:

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts