



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

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## Edgartown Division of the District Court Department

For the period July 1, 2010 through September 30, 2011



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## **INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS**

The Massachusetts Trial Court was created by Chapter 478 of the Acts of 1978, which reorganized the courts into seven Trial Court Departments, including the District Court. The Administrative Office of the District Court Department (AODC) administers the District Court. AODC has established 62 divisions, each having a specific territorial jurisdiction, to preside over the civil and criminal matters that are brought before the District Court. The Edgartown Division of the District Court Department (EDC) presides over civil and criminal matters falling within its jurisdiction, which consists of the following municipalities: Edgartown; Oak Bluffs; Tisbury; West Tisbury; Chilmark; Aquinnah; and Gosnold, which includes all of the Elizabeth Islands.

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor conducted a performance audit of EDC for the period July 1, 2010 through September 30, 2011. Our audit objective was to examine the adequacy of the internal controls EDC had established over certain activities, including cash management, bail funds, revenues, and fixed asset inventory related to the Judge's Lobby, Clerk-Magistrate's Office, and Probation Department. In addition, we reviewed physical security controls pertaining to physical access to the administrative offices at EDC.

### ***Highlight of Audit Findings***

EDC's inventory record does not include information such as item cost and acquisition dates for all assets in this record, contrary to the requirements of the Administrative Office of the Trial Court. As a result, EDC cannot accurately account for the value of the assets in its inventory.

### ***Other Matters***

EDC has identified certain risks concerning access to, and security for, its Clerk-Magistrate's Office. However, since the building is owned by Dukes County and controlled by the Dukes County Commissioners, the Clerk-Magistrate's Office cannot independently implement all the improvements that are necessary to mitigate those risks. Consequently, we believe that the AODC and/or the Administrative Office of the Trial Court should consider working with the Dukes County Commissioners to see to what extent the physical security matters raised by the Clerk-Magistrate can be addressed.

## OVERVIEW OF AUDITED AGENCY

The Massachusetts Trial Court was created by Chapter 478 of the Acts of 1978, which reorganized the courts into seven Trial Court Departments: the Boston Municipal Court, the District Court, the Housing Court, the Juvenile Court, the Probate and Family Court, the Superior Court, and the Land Court. The statute also created a central administrative office; during our audit period, this office was managed by a Chief Justice for Administration and Management (CJAM), who is responsible for the overall management of the Trial Court. The CJAM charged the central office, known as the Administrative Office of the Trial Court (AOTC), with developing a wide range of centralized functions and standards for the benefit of the entire Trial Court, including a budget; central accounting and procurement systems; policies and procedures for judges and staff; and the management of court facilities, security, libraries, and case management automation.

Chapter 211B of the Massachusetts General Laws authorized the Administrative Office of the District Court Department (AODC), which has civil jurisdiction over money-damage cases involving tort and contract actions; small claims; summary process; civil motor vehicle infractions (CMVI); mental health, alcoholism, and drug abuse commitments; and juvenile matters in districts without Juvenile Courts. Its criminal jurisdiction extends over all misdemeanors and certain felonies. The Edgartown Division of the District Court Department (EDC) is one of 62 divisions established by AODC. Each division of the district court has a specific territorial jurisdiction and presides over civil and criminal matters that are brought before it. EDC's jurisdiction includes the following municipalities: Edgartown; Oak Bluffs; Tisbury; West Tisbury; Chilmark; Aquinnah; and Gosnold, which includes all of the Elizabeth Islands.

Each division's organizational structure consists of three separately managed offices: the Judge's Lobby, headed by a First Justice; the Clerk-Magistrate's Office, headed by a Clerk-Magistrate; and the Probation Department, headed by a Chief Probation Officer. The First Justice is the administrative head of the division and is responsible for preparing the division's budget and accounting for its revenues, and the Clerk-Magistrate and the Chief Probation Officer are responsible for the internal administration of their respective offices.

During our audit period, EDC collected \$465,381 in revenue from sources such as fines, fees, surcharges, and penalties.

In addition to processing civil-case entry fees and monetary fee assessments on criminal cases, EDC was the custodian of 137 cash bails totaling \$51,951 as of September 30, 2011. Bail in the form of cash is the security given to the court by defendants or their sureties to obtain release and to ensure appearance in court, at a future date, on criminal matters. Bail is subsequently returned upon adjudication of the court case if defendants adhere to the terms of their release.

EDC is also responsible for conducting CMVI hearings, which are requested by the alleged violators and heard by a clerk-magistrate or judge who determines whether the drivers are responsible for the CMVI offenses cited. EDC does not collect the associated monetary assessment when a violator is found responsible, but it is required to submit the results of the hearing to the Registry of Motor Vehicles, which follows up on collections.

EDC operations are funded by appropriations under the control of the division, AOTC, or the Commissioner of the Probation Department. According to the Commonwealth's records, EDC's operational expenditures for the 15-month period ended September 30, 2011 amounted to \$409,244.<sup>1</sup>

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<sup>1</sup> This amount does not include certain centrally controlled expenditures, such as facility lease and related operational expenses; personnel costs attributable to judges, court officers, security officers, and probation staff; or related administrative expenses of the probation department, since they are not identified by the division in the Commonwealth's accounting system.

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## **AUDIT SCOPE, OBJECTIVES, AND METHODOLOGY**

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) conducted a performance audit of the Edgartown Division of the District Court Department (EDC) for the period July 1, 2010 through September 30, 2011. Our audit objective was to examine the adequacy of the internal controls EDC had established over certain activities, including cash management, bail funds, revenues, and fixed asset inventory related to the Judge's Lobby, Clerk-Magistrate's Office, and Probation Department. In addition, we reviewed physical security controls over physical access to the administrative offices at EDC.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objective, we performed the following reviews and tests:

- Conducted interviews with EDC management, including the Clerk-Magistrate and other staff members.
- Reviewed prior audit reports conducted by the OSA and the Administrative Office of the Trial Court's Internal Audit Department.
- Obtained and reviewed copies of applicable statutes, regulations, policies, and procedures, and EDC's accounting records and internal control plan.
- Assessed the internal controls over EDC's financial activities by conducting interviews and examining pertinent documentation.
- Reviewed and tested the collection, accounting, and disbursement of all court fees for the period July 1, 2010 through September 30, 2011.
- Reviewed monthly accounting closing and revenue reporting functions and determined whether EDC was adhering to policies and procedures outlined in the Administrative Office of the Trial Court's (AOTC's) Fiscal Systems Manual.
- Verified that all funds deposited during our audit period were recorded and accounted for by comparing monthly revenue transmittal and reporting sheets prepared by EDC to the Office of the State Treasurer's Monthly Activity Report.

- Tested all 68 fixed asset items listed on the EDC master inventory. We verified asset location and inventory asset tag identification.
- Reviewed the adequacy of internal controls over the recording and reconciliation of bail funds and examined 15 months of bail receipt activity totaling \$51,951 and bail distributions totaling \$10,825.
- Evaluated physical security at EDC by interviewing management personnel from the Clerk-Magistrate's Office and the Probation Department, as well as security personnel assigned to EDC. We conducted walkthroughs, observed security devices, and reviewed procedures to document and address security violations and other incidents. We requested a list of key-holders to EDC's office areas and determined, to the extent possible, whether the individual key-holders were current employees.

We reviewed various reports on EDC's revenues and expenses produced by the Office of the State Comptroller's Massachusetts Management Accounting and Reporting System (MMARS) and AOTC statistical reports. We did not use the financial data we obtained from MMARS concerning EDC's activities during our audit period in our audit testing; we used it solely for purposes of presenting background information in our report. Therefore, we did not assess the reliability of this data.

Based on our audit, we have determined that for the period July 1, 2010 through September 30, 2011, except as reported in the Audit Findings section of this report, EDC maintained adequate internal controls over cash management, bail funds, and revenues and complied with applicable laws, rules, and regulations.

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## AUDIT FINDINGS

### COURT INVENTORY LACKS HISTORICAL COST AND ACQUISITION DATA

The Edgartown Division of the District Court Department (EDC) inventory record does not contain certain information required by the Administrative Office of the Trial Court (AOTC). Specifically, although other key components of the inventory record are present, cost and acquisition data (e.g., date of invoice, invoice number, payment voucher number) were not included for any of the 68 equipment inventory items listed on EDC's inventory record. Although we were able to locate all items on the inventory, EDC should enhance its inventory system by including the cost and acquisition date for all inventory items.

AOTC issued requirements for conducting and updating inventory records in its fiscal year 2004 Memo No. 16 and again in its fiscal year 2009 Memo No. 8. One of those requirements is that courts update the inventory cost amounts and acquisition dates, which EDC has not done. The memos acknowledge that original cost is not always available because of the age of the equipment and include a list of common items with approximate costs that courts could use to complete the inventory records. According to court officials, cost and acquisition data were not included because most of the items were old and such data was not available when a comprehensive inventory was performed in 1999. For the 13 items purchased within the last five years, EDC, like other local court divisions, has had trouble obtaining cost and acquisition data from AOTC, which centrally purchases inventory items. By not recording the cost and acquisition date on the inventory system of record, EDC has not fully complied with the AOTC inventory requirements, and it cannot accurately account for its inventory value.

#### ***Recommendation***

EDC should attempt either to gather information to complete the required data fields in its inventory record or to approximate these inventory values based on AOTC guidance.

#### ***Auditee's Response***

*We appreciate the acknowledgment that some data were not included because of the age of the items, and such data were unavailable when a comprehensive inventory was performed in 1999. The EDC has since, based on AOTC guidance and pursuant to the AOTC Memo No. 8 and Fiscal Year 2004 Memo No. 16, approximated the missing inventory values. All computers (CPU), monitors and printers are provided by and maintained centrally by the AOTC Information Technology department. Accordingly, in the "Cost" column, it is noted "provided by IT."*

***Auditor's Reply***

We acknowledge that after we completed our audit fieldwork, EDC updated the acquisition dates and values for many items listed in its inventory record. However, it has not recorded or established cost information for its information technology (IT) equipment. Although AOTC centrally purchases such equipment, AOTC's inventory guidelines require EDC to inventory assets such as these that are in its care and control regardless of which department or office purchased the items. EDC's computer equipment currently constitutes 25% of its inventory (17 of the 68 items), and computer equipment, because of its value and portability, is typically more vulnerable to loss, theft, or misuse than other inventory items. In addition, a comprehensive and current inventory of IT-related assets would assist EDC management in assessing its hardware needs and planning for any future computer hardware acquisitions. Consequently, we again recommend that EDC update its inventory record to include all descriptive elements such as acquisition dates and costs for all the assets in its care and control.

**OTHER MATTERS****PHYSICAL SECURITY CONCERNS NEED TO BE ADDRESSED**

The Edgartown Division of the District Court Department (EDC) conducts annual risk assessments of its activities to identify any areas of concern and to develop internal controls to mitigate those risks. EDC has identified certain risks concerning access to, and security for, its Clerk-Magistrate's Office. However, since the building is owned by Dukes County and controlled by the Dukes County Commissioners, the Clerk-Magistrate's Office cannot independently implement all the improvements that are necessary to mitigate those risks. Since 2006, the Clerk-Magistrate has periodically brought attention to this issue and the Dukes County Commissioners have discussed it at meetings. However, the County Commissioners have stated that limited financial resources prevent them from making the necessary physical security improvements to this office. Consequently, we believe that the Administrative Office of the District Court Department and/or the Administrative Office of the Trial Court should consider working with the Dukes County Commissioners to see to what extent the physical security matters raised by the Clerk-Magistrate can be addressed.

***Auditee's Response***

*We are pleased that the Office of the State Auditor has acknowledged certain security risks that exist for the EDC and the Court personnel. We look forward to working with the AOTC to address this ongoing and concerning problem.*