STATE OF CONNECTICUT

AUDITORS’ REPORT
JUDICIAL DEPARTMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004

AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE
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October 20, 2005

AUDITORS' REPORT
JUDICIAL DEPARTMENT
FOR THE FISCAL YEARS ENDED JUNE 30, 2003 AND 2004

We have examined the financial records of the Judicial Department for the fiscal years ended June 30, 2003 and 2004. 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 and the Honorable Joseph H. Pellegrino served as Chief Court Administrator.

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 $80,688,737 and $82,906,615 for the 2002-03 and 2003-04 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.
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Fiscal Year Ended June 30,

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transfer to Criminal Injury Compensation Fund</td>
<td>$1,278,588</td>
<td>$1,339,893</td>
</tr>
<tr>
<td>Transfer to General Fund</td>
<td>43,701,250</td>
<td>53,216,023</td>
</tr>
<tr>
<td>Transfer to Special Transportation Fund</td>
<td>28,188,766</td>
<td>28,516,931</td>
</tr>
<tr>
<td>Fines distributed to towns</td>
<td>166,004</td>
<td>154,373</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>325</td>
<td>35</td>
</tr>
<tr>
<td><strong>Total Fund Disbursements</strong></td>
<td><strong>$80,533,927</strong></td>
<td><strong>$83,227,255</strong></td>
</tr>
</tbody>
</table>

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 $20,885,621 and $15,223,501 for the 2002-2003 and 2003-04 fiscal years, respectively. The major components of the receipts were Federal grant receipts totaling $10,856,355 and $8,489,671 for the 2002-2003 and 2003-2004 fiscal years, respectively. Other significant revenues came from fees deposited to the Client Security Fund, investment income and sales of the Commission on Official Legal Publications (COLP).

The Client Security Fund operates under Section 51-81d of the General Statutes as a General Fund restricted account. The Fund is used for reimbursing claims for losses caused by the dishonest conduct of attorneys and is financed by an annual $75 assessment paid by any person admitted as an attorney by the Superior Court. Such fees totaled approximately $2,058,406 and $387,715 for the 2002-2003 and 2003-2004 fiscal years, respectively. The decrease for the 2003-2004 fiscal year was due to delaying the 2004 calendar year billing until August rather than the previous May and June collection.

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 $661,282 and $471,479 for the 2002-2003 and 2003-2004 fiscal years, respectively.

COLP sales of legal publications totaled $718,283 and $554,048 for the 2002-2003 and 2003-2004 fiscal years, respectively.
**General Fund Expenditures:**

General Fund expenditures for the Judicial Department are summarized below:

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30,</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budgeted Accounts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal services</td>
<td>$197,510,655</td>
<td>$219,643,961</td>
<td>$218,488,883</td>
</tr>
<tr>
<td>Other expenses</td>
<td>55,594,310</td>
<td>58,562,107</td>
<td>60,721,233</td>
</tr>
<tr>
<td>Equipment</td>
<td>2,580,915</td>
<td>1,987,363</td>
<td>1,448,000</td>
</tr>
<tr>
<td>Alternative Incarceration Program</td>
<td>34,151,135</td>
<td>30,959,728</td>
<td>32,047,343</td>
</tr>
<tr>
<td>Juvenile Alternative Incarceration</td>
<td>21,601,578</td>
<td>19,632,806</td>
<td>19,730,185</td>
</tr>
<tr>
<td>Juvenile Justice Centers</td>
<td>2,840,272</td>
<td>2,580,984</td>
<td>2,595,573</td>
</tr>
<tr>
<td>Sheriffs Transition Account</td>
<td>28,348,063</td>
<td>1,727,824</td>
<td></td>
</tr>
<tr>
<td>All other budgeted expenditures</td>
<td>1,139,631</td>
<td>550,354</td>
<td>518,580</td>
</tr>
<tr>
<td><strong>Total Budgeted Accounts</strong></td>
<td>343,766,559</td>
<td>335,645,127</td>
<td>335,549,797</td>
</tr>
<tr>
<td><strong>Restricted Accounts:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other than Federal accounts</td>
<td>6,299,843</td>
<td>6,200,966</td>
<td>4,467,748</td>
</tr>
<tr>
<td>Federal Accounts</td>
<td>10,005,384</td>
<td>11,001,473</td>
<td>8,517,657</td>
</tr>
<tr>
<td><strong>Total Restricted Accounts</strong></td>
<td>16,305,227</td>
<td>17,022,439</td>
<td>12,985,405</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$360,071,786</strong></td>
<td><strong>$352,847,566</strong></td>
<td><strong>$348,535,202</strong></td>
</tr>
</tbody>
</table>

Department expenditures decreased by $11,224,220 or approximately three percent over the two-year audit period. The slight decrease can be mainly attributed to two categories, personal services and the Sheriffs transition account.

Payments to Judicial Marshals for personal services were coded under the “Sheriffs Transition Account” prior to July 2002. Starting with the 2002-2003 fiscal year, the Department coded the Marshals’ personal services under the “Personal services” category. The change in coding occurred when a labor contract with the Marshals was established as of July 1, 2002, with permanent positions (for the Marshals) established by the State Legislature. Including the Sheriffs Transition Account in the personal services accounts results in personal services totaling $225,858,718, $221,371,758 and $218,488,883 for the fiscal years ended June 30, 2002, 2003, and 2004, respectively. The decrease in personal service expenditures over the audited period can be attributed to 222 employees taking early retirement from March to June 2003 and the layoff of 199 permanent employees in January 2003. Eventually, 179 laid-off employees were reemployed by September 2003. As of June 30, 2004, the number of full time filled positions was 3,795.

The decrease in Restricted Account expenditures by approximately $4,000,000, or 24 percent, for the 2003-2004 fiscal year can be attributed to two factors. For “Federal accounts”, there was a decrease in active Federal accounts and a corresponding decrease in the number of employees paid from Federal accounts. For “Other than Federal accounts”, there was a decrease in claims paid by the Client Security Fund which totaled $2,143,398 and $514,790, respectively, for the 2002-2003 and 2003-2004 fiscal years.
The Department additionally purchased equipment through the Capital Equipment Purchases Fund totaling $132,943 and $539,811 for the 2002-2003 and 2003-2004 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 $15,164,277 and $14,607,560 for the 2002-2003 and 2003-2004 fiscal years, respectively. For the same period, disbursements paid to owners of property or returned to the State Department of Transportation totaled $18,867,663 and $8,127,153, 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, 2004, cash and cash equivalents totaled $668,515. Cash receipts consisted mostly of fee collections and totaled $562,347 and $586,275, respectively, for the 2002-2003 and 2003-2004 fiscal years. For the same period, the Committee's cash disbursements totaled $469,349 and $416,645, respectively, and were for salaries and other administrative expenses. (See “Condition of Records” section.)

**Program Evaluation:**

Section 2-90 of the General Statutes authorizes the Auditors of Public Accounts to perform program evaluations. Under Section 54-212 of the Connecticut General Statutes, the Office of Victim Services (OVS) may bring action in the name of a crime victim against those responsible for injury or death. OVS then will place a lien on the victim’s recovery of damages allowing them to collect up to two-thirds of the restitution payments made to a victim. Such restitution payments are collected by the Adult Restitution Unit, which is within the Branch’s Court Support Services Division (CSSD).

Our prior audits have noted that the information systems used by OVS and the Adult Restitution Unit appear incompatible, which hampers the collection of restitution payment by OVS. Our program evaluation reviewed the status of the collection efforts and attempts to determine what improvements are needed.

The OVS 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 of a homicide case. Since 1998, OVS has had a Recovery Specialist monitor criminal and civil court proceedings involving compensated
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victims in order to identify the potential recovery for losses that OVS may compensate. All claims are then forwarded to an OVS Claims Examiner to determine whether the claims are compensable. Since OVS has annually averaged approximately 900 claim applications in the past, only claims determined “Recovery Likely” are followed-up on. During the last five fiscal years, OVS recovered a total of $318,300. The average annual recoveries of $63,660 have been approximately equal to the expenditures associated with the recovery efforts for the last five years.

Our review of the OVS claim recovery process revealed the following:

**Criteria:** Section 54-212 of the General Statutes allows for the recovery of payments to compensated victims who receive outside payments of damages from responsible parties.

**Condition:** OVS continues to rely on a manual system for recovering payments. All claims applications are initially received and reviewed by a recovery specialist, whether or not recoverable. In turn, they are forwarded to a claims examiner for review and approval for payment. An internal review of claims showed that of all claims received in the last six years, those considered to be non-compensable ranged from 25 to 35 percent.

OVS does not have a system in place for monitoring or tracking system recoveries. There are no records showing summaries of recoveries to compare to original claims paid.

**Effect:** The recovery specialist spends time reviewing claim applications which may not be eligible for compensation, thus no possible recovery. This further delays the available time to pursue recoverable claims which may result in missed opportunities to recover claim payments.

The lack of monitoring and summary records prevents management from reviewing whether such recoveries are correct.

**Cause:** OVS does not have effective procedures to review and monitor potential recoveries.

**Recommendation:** The Office of Victim Services should revise its procedures and records to improve the efficiency and monitoring of claims recoveries. (See Recommendation 1.)

**Agency Response:** “Our review of practices for claim recoveries has been completed with the necessary modifications implemented as of October 1, 2005.”
CONDITION OF RECORDS

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

Attendance Matters:

Criteria: The Agency Administrative Policies and Procedures Manual requires: (1) timesheets to be signed by the employee and supervisor, (2) compensatory time to be granted only when an employee is required to work overtime by a judge, Division Director or supervisor, and (3) a medical certificate for employees on leave for more than five consecutive days.

Proper internal control requires canceling access to any computer application once an employee has been terminated.

Condition:

1. Time sheets- Our test consisted of a sample of 20 time sheets maintained by the Agency’s divisions for the two-year audit period. The biweekly time sheets are posted to the Agency’s official attendance records. Our test noted four employees did not sign their timesheet, three were missing a supervisory signature, and one supervisor approved their own timesheet. Also, there were three instances where the employee’s timesheet was incorrectly posted to the attendance record.

2. Compensatory time- Our current review showed 11 out of 14 employees sampled were incorrectly accruing and using compensatory time. For the 11 sampled employees, a total of 75 days in unauthorized compensatory time was used from January 2003 through June 2004.

3. Medical certificates- Following-up on our prior recommendation, our current review found that medical certificates were on file for employees on maternity leave in our sample. However, we also found that certificates were not on file for four of the nine employees in our sample of 20 concerning absences for more than a week that were unrelated to maternity leave.

4. Agency attendance system- Our review of employees authorized to access the Agency’s attendance recordkeeping system as of February 2005, showed that 54, or approximately six percent, were no longer Judicial employees.

5. An underpayment due to a deceased employee- Our test check of payments to terminating employees included an employee who passed away during October 2003 while out on workers’ compensation. The employee had indicated on the appropriate request form, the order of
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preference of using sick, vacation and personal leave to be used while receiving workers’ compensation. However, the employee did not check the appropriate box confirming his election and, thus, the Agency did not fulfill his request. The Agency acknowledges that procedures call for staff to follow-up on forms that appear incomplete or incorrect but there is no record of any Agency follow up. As a result, the employee’s 92 hours of accrued sick leave and one day of accrued personal leave, amounting to $1,887, was allowed to lapse instead of being paid. At the time of our finding in March 2005, the Agency has not attempted to contact the decedent’s appropriate relative or legal representative to arrange for payment.

Effect:

1. The lack of timesheet documentation and supervisory approval of attendance records lessens the assurance that their services were received.

2. The 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.

3. The lack of a medical certificate violates Agency procedures.

4. Access to the attendance system through terminated employees’ passwords could be used to execute unauthorized transactions.

5. An employee was not paid for accrued leave time

Cause: The causes for the first three conditions can be generally attributed to a lack of oversight over attendance record keeping. Regarding terminated employees, the Agency’s personnel department was apparently misinformed that access to Agency computers would automatically be disabled once an employee was terminated. For the deceased employee, there was an apparent misunderstanding of the employee’s intended use of accrued leave time.

Recommendation: The Department should improve its oversight and documentation over attendance matters. (See Recommendation 2.)

Agency Response: “Practices with respect to oversight and documentation concerning non-judge personnel were extensively revised and in effect commencing early in the 2003-2004 fiscal year. Although the revised policies and procedures specifically addressed issues for only a portion of the audited period, we observed progress in such areas as obtaining medical certificates for employees on maternity leave and timely removal from payroll of terminated employees. As well, those revisions clarified the use of compensatory time for management personnel and have resulted in
reduced quantities of such time being utilized and fewer inconsistencies in its application.

That being said, despite the progress identified in the above paragraph, we agree that further improvement remains possible. Time sheets will be subject to more comprehensive testing to help limit errors. Improvements in attendance system access security will be addressed and medical certificate requirements will be further clarified in the Branch’s policy manual. With respect to utilization of compensatory time by management personnel, we will review the instances cited to insure compliance with Branch practices.”

**Property Control:**

**Criteria:**

Section 4-36 of the General Statutes requires each State agency to establish and keep an inventory account in a form prescribed by the State Comptroller. The State’s Property Control Manual requires a detailed subsidiary record supporting each inventory category amount reported on the annual inventory report to the State Comptroller. Also, inventory records should be properly maintained with new acquisitions and any changes in location promptly recorded. In addition, appraisals of works of arts exceeding $10,000 must be conducted every five years by an expert in the field.

**Condition:**

The Department reported adjustments for the Furnishings and Equipment (Capitalized) category of $645,292 to the additions column total for June 30, 2003, and $13,741 to the deletions column total for June 30, 2004. Available documentation for reconciling the adjustments was not clear. As of June 30, 2004, the total reported for the above category was $32,460,801.

Included in the above category was art work valued at $732,504. Approximately 50 percent of the value of the art consisted of items greater than $10,000 which have not been appraised.

Our test check of property control records showed numerous discrepancies. A sample of 25 equipment items purchased through the Capital Equipment Purchases Fund showed thirteen were incorrectly listed at the preliminary purchase order price instead of the actual cost. A sample of 25 equipment items on the Agency’s property control record showed five were not in their listed location and four were no longer assigned to the employee listed on the inventory records. A sample of 25 equipment items traced to inventory records showed five were listed in the incorrect location and two computers that were not found on the Agency inventory listing.
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Effect: The lack of accurate property control records could result in undetected losses.

Cause: The cause for deficiencies in the Agency’s property control records was not determined.

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

Agency Response: “The Branch will continue to improve its property control records. Although the records supporting adjustments of $645,000 for the fiscal year ended June 30, 2003 has been reconciled down to approximately $7,800, formats utilized for such reconciliations will be made clearer. Works of art, previously appraised by the Commission on the Arts, will in the future be subject to standard bid procedures.

One of the two items that could not be traced from filed locations into inventory records resulted from documentation not yet having been received from the vendor at the time of the physical inventory. The second item was the result of weaknesses associated with the extensive transfers and movements of equipment in response to Y2K. Of the five items not in the listed inventory location, one was outdated and decommissioned, one was Y2K associated and the remaining three have been located.”

Bar Examining Committee:

Background: As noted in the Resume of Operations section, the Bar Examining Committee funds its operations through the fees it collects from applicants. The Committee’s funds are not accounted for within any authorized State fund. The Committee 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.

An accounting system should provide for the complete recording of all transactions.

Condition: The above checking account appears unnecessary since the Committee’s 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.

The Committee’s accounting system does not record credits to purchases.

**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 lack of complete recording of transactions results in inaccurate accounting records.

**Cause:**

The cause for the establishment of a checking account for the Committee was not determined. The failure to record credit entries is due to the shortcomings of the accounting program.

**Recommendation:**

The Bar Examining Committee checking account should be closed with its activities accounted for in a restricted General Fund account. (See Recommendation 4.)

**Agency Response:**

“The Judicial Branch agrees 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 is not receptive at this time 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.”

**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 $3,793,383 and $3,645,598 for the 2002-2003 and 2003-2004 fiscal years, respectively.

**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.
**Auditors of Public Accounts**

**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 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.

**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 5.)

**Agency Response:**
“The Judicial Branch will initiate a review of its controls over payments to property management vendors and it is anticipated that audits of vendor records will be performed when appropriate.”

**Insurance for Agency Administered Construction Projects:**

**Criteria:**
The Department’s procedures manual requires insurance for contractors when work will be performed on or in a Judicial facility.

**Condition:**
Our review showed insurance certificates had expired in seven out of 25 cases where contractors were performing work on Judicial facilities.

**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 6.)

**Agency Response:**
“A system will be developed to ensure that evidence of current insurance coverage exists.”
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.

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.

Juvenile Attorney Billings:

Our prior audit contained a recommendation that the Department needs to improve its monitoring of payments to contracted attorneys. A Department internal review of juvenile attorney billings in January 2003 had revealed a particular attorney’s billings were excessive and warranted further investigation. The results of the review and turning the matter over to the police eventually led to the conviction of the attorney who repaid $350,000 to the State in addition to receiving a prison sentence.

The initial finding led to a more widespread internal review of juvenile attorney billings which has been an ongoing process. As of early 2005, a total of 33 attorneys were identified as having been overpaid $1,561,012, of which, $786,082 was repaid to the State. The Department continued to collect the remaining $774,950 outstanding during 2005, as well as identify and collect additional overpayments.

In addition to post-auditing attorney payments, the Department made changes to invoice processing, terms, conditions and review of contracts. Therefore, it appears that the Department has taken sufficient action to resolve our recommendation on attorney billings.
RECOMMENDATIONS

Our prior report on the Judicial Department covered the fiscal years ended June 30, 2001 and 2002, and contained five recommendations. The following is a summary of those recommendations and the action taken by the Judicial Department.

- The Department should improve its oversight and documentation over attendance matters. This recommendation is repeated. (See Recommendation 2.)
- The Department should improve its property control records. This recommendation is 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 repeated. (See Recommendation 4.)
- The Department needs to improve its monitoring of payments to contracted attorneys. This recommendation has been resolved.
- The Department should ensure the preparation of accountability reports for receipts whenever feasible. This recommendation has been resolved.

Current Audit Recommendations:

1. The Office of Victim Services should revise its procedures and records to improve the efficiency and monitoring of claims recoveries.

Comment:

Our review found that the workflow for processing recoveries appeared inefficient and that there was a lack of financial summaries to provide effective oversight.

2. The Department should improve its oversight and documentation over attendance matters.

Comment:

Our review found several time sheets that were not properly signed or were incorrectly posted. We also found the improper use of compensatory time, the lack of medical certificates to document sick leave, and the lack of timely termination of access to the attendance system by employees who had terminated from State service.
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 checking account should be closed with its activities accounted for in a restricted General Fund account.

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.

5. The Department should improve its internal control and review over payments 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 and audit. Most payments are made based on copies of billings submitted by the vendors.

6. 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, had expired in seven out of 25 cases where contractors were performing work on Judicial facilities.
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, 2003 and 2004. 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, 2003 and 2004, 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, 2003 and 2004, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

We did, however, note certain immaterial or less than significant instances of noncompliance that we have disclosed in the "Condition of Records" and "Recommendations" sections of this report.

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