

STATE OF CONNECTICUT



**AUDITORS' REPORT
OFFICE OF THE PROBATE COURT ADMINISTRATOR
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2012**

AUDITORS OF PUBLIC ACCOUNTS
JOHN C. GERAGOSIAN ❖ ROBERT M. WARD

Table Of Contents

INTRODUCTION	1
COMMENTS	1
FOREWORD	1
Probate Court Budget Committee	2
Connecticut Probate Assembly	2
Council on Probate Judicial Conduct.....	3
New Legislation	4
RÉSUMÉ OF OPERATIONS	5
Probate Fund Receipts and Expenditures.....	5
General Fund Transfers and the Probate Court Administration Fund	6
Federal and Other Funds Receipts and Expenditures	7
Probate Court Reform Act Objectives and Changes to the Probate Court System.....	7
Other Matter – Prior Assessment Reporting and Collection.....	8
CONDITION OF RECORDS	9
Decentralized Accounting and Court Bank Accounts Established	9
Expenditures.....	10
Passport Processing	12
Segregation of Duties and Accountability Reports for Revenues.....	13
Internal Controls over Receivables and Write-offs.....	15
Reporting of Receivables to the Comptroller.....	15
Inventory Records	16
Whistleblower Process	19
Conservator Billings	20
Reporting of Schedule of Meetings under the Freedom of Information Act	21
Disaster Recovery Plan	22
Monitoring of Service Organization	22
Organizational Status for the Connecticut Probate Assembly	23
RECOMMENDATIONS	25
INDEPENDENT AUDITORS' CERTIFICATION.....	29
CONCLUSION	31

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We have made an examination of the financial records of the Office of the Probate Court Administrator (PCA) for the fiscal years ended June 30, 2011 and 2012. This report on that examination consists of the Comments, Condition of Records, Recommendations and Certification that follow.

The financial statements pertaining to the operations and activities of the Office of the Probate Court Administrator for the fiscal years ended June 30, 2011 and 2012 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 office's compliance with certain provisions of financial related laws, regulations, contracts and grants, and evaluating the internal control policies and procedures established to ensure such compliance.

COMMENTS

FOREWORD

The Office of the Probate Court Administrator was established under Title 45a, Chapter 801, Sections 45a-74 through 45a-85 of the General Statutes. Section 45a-77 of the General Statutes sets forth the powers and duties of the Probate Court Administrator, including administering and enforcing the laws and resulting regulations under Chapter 801. The administrator also shall ensure performance of the duties of judges and clerks of probate. The office consists of four departments: Law, Financial, Information Technology and Communications. The Law Department provides legal advice and training to judges and staff, works with the courts to interpret statutes, and conducts court visits. The Financial Department reviews the financial operations of the courts and tracks all revenue and expenses of each court. The Information

Technology Department maintains the computer network, hardware, software and a help desk utilized by the probate courts, including the case management system. The Communications Department is responsible for legislative initiatives, public relations and interagency efforts of the probate court system. The Probate Court Administrator is appointed by and serves at the pleasure of the Chief Justice of the Supreme Court. The Honorable Paul J. Knierim was appointed on October 1, 2008 and served as administrator throughout the audited period.

Article Fifth, Section 4 of the Constitution of the State of Connecticut indicates that judges of probate shall be elected to four-year terms by the electors residing in the respective districts. In accordance with Section 45a-2 of the General Statutes, there are 54 probate districts and under Section 45a-8a, there are six regional children's probate courts. The children's courts are located in Hartford, New Haven, Meriden, New London, Waterbury and Windham. The administrative judges for the children's courts are appointed by the Probate Court Administrator with the advice of the participating probate judges of the districts located in the designated region.

Probate Court Budget Committee

The Probate Court Budget Committee was established under Section 45a-85 of the General Statutes and is responsible for establishing a compensation plan including benefits for the employees of the probate courts. The committee also sets the staffing levels and determines a miscellaneous office budget for each probate court. The Probate Court Administrator serves as the chairperson and two probate judges are appointed to the committee by the Connecticut Probate Assembly. The committee reports annually to the Governor and General Assembly about potential cost savings and its efforts to reduce expenses in the probate court system. Members serving on the committee as of June 30, 2012 were:

Honorable Paul J. Knierim, Probate Court Administrator, Chairperson
Honorable Joseph D. Marino, Middletown District Probate Judge
Honorable Fred J. Anthony, Shelton District Probate District

The Honorable Dianne E. Yamin, Danbury District Probate Judge, also served on the committee during the audited period.

Connecticut Probate Assembly

The Connecticut Probate Assembly operates pursuant to Sections 45a-90 and 45a-91 of the General Statutes and all probate judges are members. The assembly is authorized to transact any business that pertains to the probate courts, the improvement of and uniformity in their procedure and practice, the administration of justice in the courts of probate and the administration of the assembly. The assembly may make such recommendation to the Probate Court Administrator regarding these matters. Officers of the assembly are elected by its members. As of June 30, 2012, Judge Beverly Streit-Kefalas was the president.

The financial operations of the assembly are accounted for separately from the Office of the Probate Court Administrator and are audited annually by an independent certified public accountant. The assembly's revenues, expenses and net assets for the periods ended April 30,

2010 and 2011, as well as for its new reporting period ended June 30, 2012, are summarized below:

Connecticut Probate Assembly	<u>Fiscal Year Ended</u>		
	<u>April 30, 2010</u>	<u>April 30, 2011</u>	<u>June 30, 2012</u>
Beginning of Year Net Assets	\$131,467	\$145,510	\$120,636
Revenues	91,316	102,124	96,745
Expenses	<u>77,273</u>	<u>126,999</u>	<u>15,542</u>
End of Year Net Assets	<u>\$145,510</u>	<u>\$120,635</u>	<u>\$201,839</u>

Revenues consisted of dues assessed by the assembly during the fiscal years ended April 30, 2010 and 2011. During June 30, 2012, the dues were essentially paid by the Probate Court Administration Fund as the reform act consolidated the financial operations of the courts. During the fiscal years ended April 30, 2010 and 2011, expenses totaling \$126,000 were used for legislative assistance during the planning of probate court reform. Other payments were for legal and consulting services. Expenses decreased substantially in the year following probate court reform, but since revenues remained static, net assets accumulated to \$201,839 as of June 30, 2012. We disclose further information about the assembly within our Condition of Records section 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 receiving and investigating formal complaints against Connecticut probate judges and for recommending further action to be taken against such judges when appropriate. Complaints to the council concern misconduct under Section 45a-63 subsection (a) and the Code of Probate Judicial Conduct. The council has five members. The probate judges elect one probate judge to serve on the council, the Chief Justice appoints a retired state referee and the Governor makes three appointments (one attorney and two non-attorneys). The council members as of June 30, 2012 were: Honorable William L. Wollenberg, Chairperson, Honorable Andre D. Dorval, Probate Judge Region #19, Anne S. Evans, Attorney Sharon Holland Purtill and Janet M. Wildman.

The Honorable Patrick J. Wall also served the council during the audited period. Richard Banbury was the executive director of the council throughout the audited period. Complaints must be submitted in writing, and the council may consider complaints about a judge's violation of the law, a canon of ethics or the failure to properly perform the duties of office. During the audited period, there were 45 complaints of which 42 were resolved.

The council's expenditures for the fiscal years ended June 30, 2011 and 2012 totaled \$117,779 and \$135,445, respectively. Expenses consisted of purchases and contracted services for arbitration, mediation, reimbursements and juvenile contract attorneys.

New Legislation

Public Act 09-114, effective on various dates from October 1, 2009 to January 5, 2011, provided the framework for probate court reform and changed the financial operations of the courts by centralizing the financial structure of the system and requiring that any surplus funds be transferred to the General Fund.

Public Act 09-01 of the September Special Session, effective January 5, 2011, replaced the existing 117 probate districts with 54 probate districts.

Public Act 10-34, effective on various dates from October 1, 2010 to January 5, 2011, eliminated the requirement that the Probate Court Administrator's proposed regulations concerning the availability of judges, court facilities, personnel, records and telephone services be adopted in conformity with the Uniform Administrative Procedure Act. This change permits probate regulations to be enacted without public hearings or approval by the legislature's Regulations Review Committee, and instead, new and updated regulations are submitted to the executive committee of the Probate Court Assembly and the legislature's Judiciary Committee for approval. The act also requires the administrator to enforce regulations governing records maintenance and allows towns in the same probate district to agree on how they will pay the district's expenses.

Public Act 10-41, effective January 5, 2011, ended the requirement that the probate court administration make payments to judges after separation from service. Such payments were necessary because some of the revenue received after a judge's retirement was for work performed before retirement or probate court reform. This act also specified that a judge does not get extra compensation for acting as an administrative judge, panel judge or a special assignment judge, except for compensation provided under this act.

Public Act 10-184, effective on various dates from October 1, 2010 to January 1, 2011, allowed the probate courts to accept credit cards and to charge six percent per annum of interest on overdue fees on decedent estates.

Public Act 11-51 section 36, effective June 30, 2011, allows \$4,000,000 to be retained in the Probate Court Administration Fund instead of being transferred to the General Fund for the fiscal years ended June 30, 2011 and 2012. Section 37 states that \$75,000 of surplus funds for each year shall be transferred to the Court Support Services Division of the Judicial Department to provide competency evaluations for youth-in-crisis matters.

Public Act 12-1 section 116, enacted in the June 12, 2012 Special Session, designated that \$4,610,517 be transferred from the Probate Court Administration Fund to various other programs on June 30, 2012. The amounts were to be available to the following in the fiscal year ending June 30, 2013: Judicial Department 1,610,517, Kinship Fund and Grandparents and Relatives Respite Fund \$1,670,517, Department of Education \$925,000, Department of Social Services \$525,000 and other departments \$490,000.

Public Act 12-66 effective October 1, 2012, amended the reporting requirement under Section 45a-76 to require the Office of the Probate Court Administrator to file a biennium report, instead of an annual report, with the Chief Court Administrator. The next report is due on or before April 1, 2014 for the fiscal years ended June 30, 2012 and 2013.

RÉSUMÉ OF OPERATIONS

Probate Fund Receipts and Expenditures

The receipts for the Probate Court Administration Fund during the audited period, as well as during the period ended June 30, 2010, are summarized below:

Probate Fund Receipts	<u>Fiscal Year Ended June 30,</u>		
	<u>2010</u>	<u>2011</u>	<u>2012</u>
Probate Court Fees	\$ -0-	\$22,549,376	\$31,267,918
Miscellaneous Revenue	6,588,862	11,383,715	7,511,433
Pass-through Funding	-0-	1,201,396	2,100,000
Assessments	10,851,994	-0-	331,820
Other Funds and Refunds	-0-	(141,866)	(30,165)
Interest Fees	15,269	-0-	42,580
Total Receipts	<u>\$17,456,125</u>	<u>\$34,992,621</u>	<u>\$41,223,586</u>

Total receipts increased by 100 and 18 percent for the fiscal years ended June 30, 2011 and 2012, respectively, due to the General Fund appropriations being included with receipts and the legislative change that required all probate court fees to be deposited into the fund rather than allowing courts to keep the fees and pay assessments into the fund. Appropriations to implement probate court reform totaled \$11,250,000 and \$7,450,000 for the fiscal years ended June 30, 2011 and 2012, respectively. The appropriations are reflected within Miscellaneous Revenue.

The expenditures for the Probate Court Administration Fund during the audited period, as well as during the period ended June 30, 2010, are summarized below:

Probate Fund Expenditures by Account	<u>Fiscal Year Ended June 30,</u>		
	<u>2010</u>	<u>2011*</u>	<u>2012</u>
Purchases and Contracted Services	\$5,261,499	\$14,988,347	\$24,669,433
Personal Services and Employee Benefits	6,105,972	6,912,424	7,142,815
Other Expenses	1,432,036	1,247,132	2,100,199
Information Technology	445,367	600,400	895,240
Capital Outlays Equipment	118,590	80,181	267,379
Premises and Property Expenses	1,671,689	323,755	95,744
Employee Expenses, Allowances and Fees	18,343	18,005	25,425
Purchased Commodities	37,522	49,251	19,251
Capital Outlays Land	-0-	-0-	6,800
Motor Vehicle Costs	1,919	2,096	204
Total Expenditures	<u>\$15,092,937</u>	<u>\$24,221,591</u>	<u>\$35,224,490</u>
Retiree Healthcare - PCA Share	-0-	3,465,108	-0-

Retirement Pension Fund Transfer	<u>2,739,654</u>	<u>-0-</u>	<u>200,000</u>
Total Expenditures and Transfers	<u>\$17,832,591</u>	<u>\$27,686,699</u>	<u>\$35,424,490</u>

** Probate court reform was effective January 5, 2011, and the fiscal year ended June 30, 2011 includes one-half year of salaries and benefits for district court employees as required under the reform legislation.*

Expenditures increased by 55 and 28 percent during the fiscal years ended June 30, 2011 and 2012, respectively. Purchases and Contracted Services represented the majority of the increases due to the consolidation of the salaries and benefits of the district probate court employees within the state's accounting records. Since the consolidation was effective on January 5, 2011, the expenses during the fiscal year ended June 30, 2011 include one-half year of salaries and benefits for court employees, and the expenses in the fiscal year ended June 30, 2012 include a full-year of salaries and benefits. These expenses are included within Purchases and Contracted Services because the district court employees are not state employees, but are employees of their local district probate court and serve at the pleasure of their probate court judge. The employees of the Office of the Probate Court Administrator, who are state employees, are represented within Personal Services and Employee Benefits. In addition, expenditures for the fiscal year ended June 30, 2011 are overstated by \$200,000 as such expenses should not have included certain PCA pension funding amounts according to the Office of the State Treasurer. Employment statistics for the PCA and the probate courts as of June 30, 2011 and 2012, as well as for the prior audited period, were as follows:

		<u>June 30,</u>	
Probate Court Filled Positions	<u>2010</u>	<u>2011</u>	<u>2012</u>
Office of the Probate Court Administrator	20	24	21
District Court Staff and Judges	<u>506</u>	<u>410</u>	<u>412</u>
Total Filled Positions	<u>526</u>	<u>434</u>	<u>433</u>

General Fund Transfers and the Probate Court Administration Fund

Operations of the office and the district and children's courts are financed through the Probate Court Administration Fund, which is a special revenue fund established under Section 45a-82 of the General Statutes. The State Treasurer is the custodian of the fund and tracks the cash and investment balances pertaining to the fund. Financial activity of the Probate Court Administration Fund during the audited period as well as during the fiscal year ended June 30, 2010 is presented below:

	<u>Fiscal Year Ended June 30,</u>		
PCA Fund Balance and Transactions	<u>2010</u>	<u>2011</u>	<u>2012</u>
PCA Fund Beginning Balance	\$5,068,755	\$4,692,187	\$ 4,000,000
Receipts - PCA Fund per core	17,456,125	34,992,622	41,223,584
Expenses per Core-CT	(15,092,937)	(24,221,591)	(35,224,490)
Return of Appropriated Funds	-0-	(8,015,019)	(5,811,316)
Other Transfers:			
Pension Funding - PCA Share	(2,739,654)		(200,000)
Other Post-Employment Benefits	-0-	(3,465,108)	-0-

Investment Income	<u>-0-</u>	<u>16,909</u>	<u>12,222</u>
Ending Balance PCA Fund	<u>\$4,692,289</u>	<u>\$4,000,000</u>	<u>\$4,000,000</u>

Receipts during the fiscal years ended June 30, 2011 and 2012 included transfers from the General Fund totaling \$11,250,000 and \$7,450,000, respectively. Only a portion of these funds were used to administer probate court reform and funds totaling \$8,015,019 and \$5,811,316, or 71 and 78 percent of the General Fund appropriations, were returned to the General Fund or transferred to other funds. A one-time catch-up contribution for retiree health insurance costs was transferred to the Probate Judges and Employees Retirement System in the amount of \$3,465,108. In addition, the administrator included \$200,000 of pension funding in Expenses per Core-CT during the fiscal year ended June 30, 2011, when that amount is normally accounted for elsewhere as a transfer.

Federal and Other Funds Receipts and Expenditures

The office's federal and other funds' receipts and expenditures totaled \$355,500 and \$71,556 for the fiscal year ended June 30, 2012. There were no such receipts or expenditures during the fiscal years ended June 30, 2010 and 2011. Receipts consisted mostly of amounts for the case management system improvements. Federal and other-than-federal expenses included costs for temporary services, information technology services and capital hardware purchases. The balance of the funds is held at the State Treasury as of June 30, 2012.

Probate Court Reform Act Objectives and Changes to the Probate Court System

The objective of the probate court reform was to modernize and create efficiencies in the probate court system and lessen the demand on the Probate Court Administration Fund. The following was to be established and implemented:

- Financial operations and expenditures must be managed under a comprehensive budget. Revenues must be remitted to the State Treasurer and credited to the Probate Court Administration Fund.
- A budget committee must be established and determine a compensation plan for probate court employees, staffing levels and a miscellaneous office budget for each court.
- Courts must be open Monday through Friday for at least 40 hours per week, and probate court employees, including judges, must work at least 20 hours per week to qualify for healthcare benefits.
- Judge's compensation must be calculated based on the population and workload, new salaries range from 45 percent to 75 percent of a Superior Court judge's salary, or \$146,780 as of January 5, 2011 and newly-elected judges must be attorneys.
- Courts must be reduced from 117 to 54 probate district courts with separate courts to address children's matters in accordance with Public Act 09-01.

Probate Court Administration and the newly created three-member budget committee established and implemented the following measures:

- Courts were reduced to 54 districts by retaining 22 existing courts and by adding 32 regional district courts through the merging of 94 separate probate courts.
- Single system-wide budget and payroll services were established to reduce manual processing and eliminate duplicative bookkeeping activities.
- Inconsistencies such as bonuses, payments of certain insurance premiums, overtime pay and life insurance coverage were eliminated from the benefits plan.
- Staffing levels, job descriptions and workload schedules for judges were established.
- Minimum and maximum hourly rates for court employees were established.
- A case management system was established.
- Enabled online access to benefits enrollment and administration system, eliminating the intensive manual process associated with the administration of employee benefits.
- Eliminated printing of payroll checks with 100 percent participation in direct deposit.

It should be noted that, during the audited period, the revenue generated from the probate court fees and taxes, set forth by statute, was not adequate to support the operations of the reformed probate court system without continuing General Fund support. Those expenses exceeded revenues by \$4 million in FY 2011, \$1.7 million in FY 2012 and \$6.2 million in FY 2013. It appears that this condition will continue in future years.

Other Matter – Prior Assessment Reporting and Collection

Prior to probate court reform, judges reported and forwarded assessment amounts to the Office of the Probate Court Administrator. The administrator made efforts to collect amounts based upon the prior assessment method, while also considering any work-in-process payments due to the judges. The administrator disclosed to the Office of the State Treasurer on November 21, 2011 and June 24, 2013, that one judge appeared to owe the state \$24,102 and another judge failed to report assessment amounts.

Other Matter - Compensation Plan for District Court Employees

Public Act 09-114 section 11 effective from passage on June 9, 2009 and codified as Section 45a-85 subsection (b) of the General Statutes, required the Probate Court Budget Committee to establish a compensation plan for employees of the courts of probate. The Probate Court Budget Committee established minimum and maximum ranges for different positions. Employees whose earnings were below the minimum were increased to the minimum and employees earning above the maximum had their salaries grandfathered. Employees whose pay was below the level deemed appropriate to their experience and training, as determined by a pay equity study received a pay increase in June 2013. All such increases were within the salary range for the employees' position.

CONDITION OF RECORDS

Our review of the financial records of the Office of the Probate Court Administrator disclosed areas of concern that are discussed below.

Decentralized Accounting and Court Bank Accounts Established

Criteria: Public Act 09-114 changed the operations of the probate courts and consolidated the financial operations of the courts within the Office of the Probate Court Administrator. Statewide controls over cash should be followed. Generally, it is the responsibility of the offices of the Treasurer and Comptroller to establish and maintain banking relationships, cash movements, investments of the state's cash and the accounting records of state government.

Condition: The Office of the Probate Court Administrator did not centralize a portion of the financial operations and instead directed individual probate courts to open checking accounts, assess banking fees and maintain accounting records for an annual review. In July 2013, \$735,316 was transferred from the Probate Court Administration Fund to the 54 district bank accounts and the six children's courts, according to the office. These amounts were used for payment of certain incidental expenses and for membership dues for the Connecticut Probate Assembly, which was not a state vendor.

Cause: The office did not centralize operations effectively and made cash transfers to courts when Section 45a-85 of the General Statutes, subsection (b) appears to allow only for budgets to be established for the courts, not cash transfers.

Effect: Funds totaling \$735,316 were moved off the state's official accounting records as of July 1, 2013, and not subject to the state's controls. Excess cash was not in the State Treasury's custody and transactions were not accounted for as they happened by the State Comptroller. Additional expenses may have been incurred to monitor the bank accounts, with less effectiveness than if the budgets were maintained and expenses were paid from the Probate Court Administration Fund.

Recommendation: The Office of the Probate Court Administrator should have cash in state-approved bank accounts and the related transactions accounted for within the state's centralized accounting system. (See Recommendation 1.)

Agency Response: "PCA worked closely with the Treasurer and Comptroller when planning revisions to the Probate Court financial structure in 2009 and 2010. We concluded, with their support, that locally maintained disbursement accounts would provide the most efficient mechanism for managing the expenditures

covered by the court office budgets. These budgets, which represent less than 2% of the operating budget for the system, cover expenditures such as educational seminars, membership dues in professional organizations, subscriptions for legal publications and other items for which spending decisions are appropriately made at the local level. Because Probate Courts do not have access to Core-CT, a centralized system would necessitate a cumbersome process under which courts would need to contact PCA staff to authorize each disbursement. In accordance with C.G.S. Section 45-85, the Budget Committee establishes an annual office budget for each court. Unused funds lapse back to the Probate Court Administration Fund at the end of each year. PCA conducts an audit of each court's accounts on a biennial basis. We agree that the court disbursement accounts should have been registered with the Treasurer and Comptroller's and have submitted Forms TR-01 and CO-929 for each court to complete that process. All court bank accounts are now fee-free arrangements."

Auditors' Concluding

Comment: We inquired for the support provided by the Treasury or Comptroller on June 5, 2014, and were told that 78 Bank Account Establishment Request forms were submitted for approval, but that none had been approved as of June 3, 2014. Any that were opened for district courts prior to such approval were done so without the authority required under the General Statutes. Utilizing these accounts has circumvented statewide internal controls and increased the risk of loss.

Expenditures

Criteria: Expenditures should be made to vendors that have been approved by the Office of the State Comptroller. Expedited shipping costs should not be used except when an emergency exists. Purchases on state purchasing cards should be for amounts that agree to state contract terms.

Condition: Payments were made totaling approximately \$90,018 to the Connecticut Probate Assembly, which is not an approved state vendor as it does not have an official reporting status (see recommendation 13). According to the Connecticut Probate Assembly's website, all 54 probate judges are members of the assembly, which began as an informal organization of probate judges in 1883. Legislation was passed in 1941 to recognize the assembly as an official organization. Membership payments were made from each of the 54 decentralized court bank accounts in the amount of \$1,667 (see recommendation 1) for the fiscal year ended June 30, 2012. These funds originated from the Probate Court Administration Fund.

Expedited shipping charges in the amount of \$400 were paid for expedited shipping of capital goods, but not deemed necessary for an emergency. This

issue was also disclosed in our prior audit. In addition, a purchase was made for a Vietnamese language translator for a district probate court on a state purchasing card. The state contract indicated that such translator services shall be at \$80 per hour and travel shall not be charged; however \$105 per hour was charged plus \$79 for travel costs, an overcharge totaling \$129.

Cause: The Probate Court Budget Committee authorized the payments to the Connecticut Probate Assembly, without it being established as an approved state vendor, and the payments were not made through the state's accounting system. For the translator and shipping expenses, charges were not verified properly before payment was made.

Effect: State expenditure rules were circumvented and approximately \$90,018 that should be under the administrative control of the state was instead under the administrative control of the Connecticut Probate Assembly. Judges received paid memberships to the Connecticut Probate Assembly for the fiscal year ended June 30, 2012. In addition, \$529 was wasted through an unrecovered overpayment and unnecessary expedited shipping.

Recommendation: The Probate Court Budget Committee should authorize payments only to approved vendors, and the Probate Court Administrator should pay amounts in accordance with state contracts, recover overpayments and authorize payment for expedited shipping only when necessary. (See Recommendation 2.)

Agency Response: "Probate Assembly membership dues - The Probate Court Budget Committee approves an annual office budget for each court that includes a line item for membership dues in professional organizations. Each court, in turn, pays dues to the organizations that the judge determines appropriate for professional development activities for the judge and court employees. The Connecticut Probate Assembly is one such professional organization. The assembly performs many functions that are highly beneficial to the Probate Court system. It conducts frequent continuing education seminars for judges and court staff, develops legislative proposals to update and improve probate law, prepares forms for court users, provides guidance to judges on ethical issues and disseminates information to the public about the Probate Courts. Given the significant value of these activities for the Probate Court system, the payment of dues to the assembly is an entirely appropriate expenditure from court office budget funds. While PCA and the assembly frequently collaborate, the assembly is an independent statutory body that has its own governance structure. It is not a state agency and PCA has no legal authority to control the assembly's finances. The assembly obtains an independent audit of its finances each year. We have added the Probate Assembly to the Core-CT accounting system, so it is now on the list of approved state vendors.

Expedited shipping PCA incurred expedited shipping charges in two emergency situations in which replacement computer equipment was needed on an urgent basis. Expedited shipping was incurred by accident in one instance. As an added control, we now require documentation of the justification for any express shipping charges before payment is approved.

Interpreting service In the matter identified in the findings, PCA paid the applicable rate for interpreting services under the Judicial Branch's contract with that vendor. The vendor has two different contracts with the state; one with the Judicial Branch and one with the Department of Administrative Services. The rate under the Judicial Branch contract is higher than the rate under the DAS contract due to the higher level of qualification required for courtroom interpreters."

Auditors' Concluding

Comments: As stated within the Agency Response, there were two contracts for the interpreting service vendor; unfortunately, PCA failed to comply with the basic terms in either contract as the Judicial Branch's contract disallows mileage costs to be paid.

Passport Processing

Criteria: The Probate Court Administration Fund was established by the General Statutes to administer probate law. There is no provision within the General Statutes for probate courts to process passport applications on behalf of the federal government's Department of Homeland Security.

Condition: Certain probate courts process passport applications and the financial burden to administer and process passports is borne by the Probate Court Administration Fund.

Cause: Since 1970 and pursuant to Title 22 Code of Federal Regulations Section 51.23 (b), elected probate court judges could decide whether to provide passport services to people within the community. The related financial burden was within that court. Since the consolidation of financial operations for the probate courts, the burden has been transferred to the Probate Court Administration Fund and the state without a related statutory change authorizing it.

Effect: Services to the public may be diminished if employees cannot perform all probate court duties required when needed and courts providing passport processing may be overburdened if staffing allocations are not made.

Recommendation: The Office of the Probate Court Administrator should determine whether statutory authority is needed for expenses related to the administration of passports and should determine and document an appropriate staffing allocation method to ensure that undue burdens are not placed on such courts. (Recommendation 3.)

Agency Response: “Federal law explicitly authorizes Probate Courts to serve as passport acceptance agencies. The decision whether a court will process passport applications is made locally, based upon the needs of the community served. While we do not separately account for the labor costs associated with the service, we believe that the revenue collected by the Probate Court Administration Fund for passport processing (\$87,000 in FY12) covers the associated expense of the eleven courts that offer this service. To ensure excellent customer service at all courts, the Probate Court Budget Committee considers whether a court provides passport services when establishing court staffing levels.”

Auditors Concluding

Comment: We found no practical application of the budget committee considering passport services when establishing court staffing levels and Section 8.3 of the Probate Court Regulation states that the annual weighted workload calculation excludes work for passport applications.

Segregation of Duties and Accountability Reports for Revenues

Criteria: Adequate internal controls over receivables and revenues require segregation of duties in that different employees should be responsible for the collecting, recording and depositing of funds. In accordance with the State Accounting Manual, accountability reports should be prepared for all major sources of revenue to compare the amounts that were actually recorded with the amounts that should have been accounted for. One court has implemented its own “no cash” policy, which is a key internal control considering the lack of segregation of duties.

Condition: Each district court is responsible to collect, account for and deposit its receipts, including cash, and we noted that most courts did not have appropriate segregation of duties as both the judge and the chief court clerk had full access to the receivables, recording and deposit functions within the probate court system’s case management system. Accountability reports are not prepared to verify the anticipated revenues, within the case management system activity to the actual receipts recorded in the state’s accounting system. There are also no accountability reports or reconciliations to account for fee waivers and passport revenue. At the administrator’s office, there is no log prepared by the person opening the mail and the same person who opens the mail also completes the deposit.

- Cause:* The procedures in place are insufficient to ensure that district courts, many with only two or three employees, follow proper internal controls over the collection, recording and depositing of revenues. Although the PCA attempted to stress the importance of internal controls, it did not monitor the forms allowing access to the system and permitted unlimited access when requested. Accountability reports had not previously been considered by management and the office is not considering expanding the “no cash” policy to other courts.
- Effect:* There is an increased risk of loss due to error or fraud if key duties are not segregated, access rights are not monitored, cash is received and accountability reports are not prepared.
- Recommendation:* The Office of the Probate Court Administrator should provide guidance, oversight and monitoring to the district courts to ensure proper segregation of duties over the collection, recording and depositing of revenues, as well as accountability reports. (See Recommendation 4.)
- Agency Response:* “A key component of court restructuring in 2011 was the development of a comprehensive PCA Policy Manual that establishes specific policies and procedures for all court financial operations. Policy 401, which addresses the responsibilities of court staff in handling receipts, requires each court to assign the various financial roles among employees in a manner that provides appropriate segregation of duties. Policy 401 was written with assistance from the Office of the State Comptroller and is fully consistent with the State Accounting Manual. We agree that the assignment of financial roles at some court locations did not comply with Policy 401 and therefore did not provide adequate segregation of duties. Beginning in 2012, we placed greater emphasis in reviewing the assignment of financial roles as part of our biennial court audits. If deficiencies are identified during an audit, the PCA auditor works with the chief clerk and judge to reassign duties to achieve compliance with the policy. As part of the biennial audit process, we will review the U.S. Department of State Passport Application Transmittal forms and the Annual Certifications submitted by the eleven courts that process passports. We will reconcile passport data reported on the forms to receipts reported in the Case Management System (CMS). Accountability for all other categories of probate fee revenue is currently provided by CMS, which court employees use for all aspects of case processing, including the preparation of invoices and posting of receipts. Because the ability to pay court fees with cash is a matter of convenience for many court users, PCA does not plan to prohibit cash transactions. We note that court users are permitted to pay fees with cash at all Superior Court locations. PCA has reassigned duties among the staff to provide for proper segregation between opening mail and completing deposits.”

Internal Controls over Receivables and Write-offs

- Criteria:* Section 3-7 of the General Statutes states that uncollectible claims in the amount of \$1,000 or less may be cancelled by the head of such agency, and for an amount greater than \$1,000 by the Secretary of the Office of Policy and Management. Adequate internal controls for receivables include segregation of duties for recording, collection and write-off of amounts. The State Accounting Manual states that receivables should be accurate, reconciled, and maintained in a manner that indicates the length of time the amount has been outstanding.
- Condition:* Certain district probate court employees receive payments, record the payments in a database, monitor receivables and prepare delinquent collection letters.
- Cause:* Procedures were not established to follow the directives set forth within the State Accounting Manual and the General Statutes.
- Effect:* The risk of loss is not minimized for receipts, receivables and write-offs and it is difficult to determine whether the receivable amounts reported are accurate.
- Recommendation:* The Office of the Probate Court Administrator should follow the directives within Section 3-7 of the General Statutes and the State Accounting Manual for administration of its receipts, receivables and write-offs. (See Recommendation 5.)
- Agency Response:* “We agree that C.G.S. Section 3-7 requires OPM approval for write-offs over \$1,000 and approval by the Probate Court Administrator of all other write-offs. We issued a revision to Policy 404 of the PCA Policy Manual, to be effective July 1, 2014, to reflect this requirement. The administrator has reviewed all write-offs retroactive to July 1, 2012 and has obtained OPM approval of all write-offs exceeding \$1,000 as of that time. Please see our response on Recommendation 4 regarding segregation of duties related to the management of receipts and accounts receivable.”

Reporting of Receivables to the Comptroller

- Criteria:* The State Accounting Manual requires agencies with receivables totaling \$300,000 or more to report to the State Comptroller on GAAP Form No. 2. This information allows the Office of the State Comptroller to prepare its Comprehensive Annual Financial Report in accordance with Generally Accepted Accounting Principles. Fees are generally not reportable on the form.

- Condition:* Receivable amounts totaling \$3,829,561 as of June 30, 2012, were not reported to the Office of the State Comptroller as required under GAAP reporting.
- Cause:* Probate court reforms caused receivables to shift to the state, and although the administrator's office sought advice from the Comptroller's office, the receivables were misunderstood to be fees, which are non-reportable.
- Effect:* The Comprehensive Annual Financial Report issued by the State Comptroller did not include receivables totaling \$3,829,561 as of June 30, 2012.
- Recommendation:* The Office of the Probate Court Administrator should report district court receivables to the State Comptroller. (See Recommendation 6.)
- Agency Response:* "We agree that the courts' accounts receivable balances should be reported on GAAP Form No. 2 and began doing so in our report for FY13. We failed to report this figure in FY11 and FY12 due to an erroneous understanding of the requirement."

Inventory Records

- Criteria:* Property represents one of the largest investments made by the state and accountability must be maintained and safeguards must be established to protect it. Section 4-36 of the General Statutes requires each state agency to establish and keep inventory records in the format prescribed by the Office of the State Comptroller. The Comptroller issues the State Property Control Manual, and chapter 3 defines capital assets as tangible in nature and complete with an expected useful life of one or more years and a value or cost of \$1,000 or more at the date of acquisition. Amounts reported to the Comptroller should be accurate and reconcile to actual inventory items and Core-CT records. Section L requires a separate inventory account for historical documents. Chapter 7 of the manual also requires that a software inventory be established to track and control software media.
- Condition:* Inventory was not kept in the format prescribed by the Comptroller for its buildings, computers, software licenses and historical documents. Our review found that:
- Software and Hardware:
- The Information Technology Department was able to authorize hardware and software purchases and record inventory on the inventory records, which does not provide for proper segregation of duties.

- An annual software inventory was not performed before June 30th and the office does not have a comprehensive and secure software library by installation.
- Software inventory was understated by approximately \$179,890 because the office failed to track the costs of its case management system.
- Software was not corrected in accordance with a prior audit finding, which found there was an overstatement in the amount of \$482,840.
- Hardware that dates back to 2005 was upgraded to Windows 7 and partially deployed to the field. The remainder of this equipment, valued at \$65,038 was upgraded and stored for approximately eight months at a vendor's storage facility.
- Seven of 22 computers listed as being at the off-site vendor could not be found.
- There were inconsistencies in that certain courts had to request scanners from their municipalities while other courts had new scanners supplied by the office.
- \$7,000 of equipment paid for with federal funds was not added to inventory.

Capital Equipment:

- \$3,015 of property was disposed of without proper authorization.
- Five of 35 assets either selected in the field were not included in the inventory listing or were not found in the assigned locations.
- Capital expenditures do not reconcile to Comptroller records and appropriate coding was not used for certain purchases.
- Assets were issued duplicate tag numbers.

Building and Improvements:

- The building was not recorded on the Joint Effort for State Inventory Reporting (JESTIR) system that the Office of Policy and Management maintains to track state-owned properties.
- The building and improvements inventory totals were not adjusted by \$5,869 and (\$7,509), respectively, despite being informed of the errors during our prior audit.

Cause: Complete accountability was not maintained through a cohesive master file for inventory and requirements under Section 4-36 of the General Statutes or the State Property Control Manual were not followed completely.

Effect: Assets of the state within the Office of the Probate Court Administrator were not protected sufficiently from the risk of loss from error or fraud, the JESTIR system did not have the state building on record, and errors totaling approximately \$758,161 were recorded on the state's accounting records.

Recommendation: The Office of the Probate Court Administrator should correct its inventory records, comply with Section 4-36 of the General Statutes and implement

the requirements of the State Property Control Manual to ensure complete accountability in managing the state's inventory. (See Recommendation 7.)

Agency Response: "PCA converted to the Core-CT asset module in January 2014, after the end of the period covered by this audit. Use of this system will improve inventory management, ensure full compliance with C.G.S. Section 4-36 and the Property Control Manual and prevent recurrence of the issues identified during the audit.

Computer software and hardware:

- The Core-CT asset module, which was implemented in January 2014, ensures proper segregation of duties for all purchasing and inventory activities.
- An annual software inventory for each computer was instituted in 2012 and the license documentation is now stored in a locked cabinet.
- We have implemented a process to track future capitalized costs for updates to the Case Management System software beginning in FY13.
- The software inventory overstatement that was identified in the previous audit was corrected as of 12/31/2012.
- We opted to upgrade the operating system for older hardware as a less expensive alternative to purchasing new equipment. A storage fee of \$496 was incurred during the deployment due to PCA facility constraints.
- The report that the auditors were viewing at the off-site visit was run before a delivery of equipment to the courts. In addition, two items on the report did not meet the threshold of a capital asset and were therefore not on our Controllable Property list.
- Municipalities are responsible for scanners. The discrepancy arose when PCA purchased scanners on behalf of a certain municipalities and was reimbursed. The scanners have now been removed from inventory.
- Equipment purchased with federal funds was tracked but was inadvertently not added to the CO-59 for FY12. It was added for FY13.

Capital equipment:

- PCA policy prohibits courts from disposing of assets that are state property. A court mistakenly discarded broken equipment after PCA's vendor did not comply with instructions to return the equipment to PCA.

- Four assets were confirmed to be in the locations indicated on the report. The fifth was an invalid tag number.
- Purchases were coded incorrectly as capital purchases, but have been corrected for FY13.
- PCA identified ten duplicate tag numbers during the conversion to Core-CT and made corrections. Core-CT controls will help prevent recurrence.

Building and improvements:

- PCA does not have authority to make changes to JESTIR. We note that the state owned the building prior to occupancy by this agency and it should have been added to the system when it was acquired.
- We will make the adjustment in the CO-59 to remove the circulator pump from site improvements. We discussed the air handler with the prior year auditors and had concluded that PCA did in fact properly record the air handler.”

Whistleblower Process

<i>Background:</i>	District court employees process revenues for the Probate Court Administration Fund, which is administered by the Office of the Probate Court Administrator. Certain surplus amounts, if available within the fund, are to be deposited into the General Fund for the state’s benefit.
<i>Criteria:</i>	An essential element of internal controls should include an efficient and effective whistleblower process to help prevent, detect and mitigate the risk of fraud. The process should include protection against retaliatory behavior to prevent the complainant from becoming a victim and to demonstrate that reporting of misconduct is always encouraged.
<i>Condition:</i>	There is no formal structure for district court employees or judges, who are not state employees, to report complaints anonymously for appropriate review.
<i>Cause:</i>	This matter was not previously considered, and while Section 4-61dd of the General Statutes applies to state or quasi-public agencies, including the Office of the Probate Court Administrator, it does not appear to apply to the district probate courts since they are not state agencies.
<i>Effect:</i>	The risk that fraud or misconduct will occur is not lessened.
<i>Recommendation:</i>	The Office of the Probate Court Administrator should strengthen internal controls to implement a formal structure for complaints to be filed anonymously. (See Recommendation 8.)

Agency Response: “We agree that a whistleblower framework is a useful mechanism to detect fraud and abuse. To avoid the redundant expense of establishing an independent Probate Court whistleblower system, we respectfully request that the Auditors of Public Accounts accept whistleblower complaints pertaining to Probate Courts using its existing procedures.”

Auditors’ Concluding

Comments: Our authority to investigate together with the employee protections against retaliation does not apply to district court employees as they are not state employees or employees of large state contractors; rather they are at will employees of the individual probate courts and serve at the pleasure of their respective probate judge. Should the administrator decide to pursue changes to legislation, our office will consider the matter at that time.

Conservator Billings

Criteria: Conservator billings should occur on a consistent basis for efficiency.

Condition: Certain conservators are submitting invoices for each fraction of an hour’s service, instead of compiling their services; consequently, there were approximately 20,000 billings processed through district courts and the Office of the Probate Court Administrator for the fiscal year ended June 30, 2012.

Cause: There were no written policies to help ensure that conservator billings are charged in a consistent manner with efficiency in mind.

Effect: The process to pay conservator billings appears to be inefficient.

Recommendation: The Office of the Probate Court Administrator should establish written policies for conservator billings. (See Recommendation 9.)

Agency Response: “Two existing documents detail the policies and procedures that govern conservator billings. Section 16 of the Probate Court Regulations establishes rates of compensation and annual caps on conservator fees. Policy 507 of the PCA Policy Manual details the procedures associated with conservator billings. Notably, Regulation 16 requires conservators to submit invoices no later than six months after the services are rendered. We believe that the benefit of receiving timely invoices from conservators outweighs any advantage that might be gained by reducing the number of bills. Receipt of invoices for relatively small amounts is the direct result of the regulatory requirement that conservators submit their bills within six months. The six month deadline promotes accuracy in billing. It also facilitates effective scrutiny of invoices by the reviewing courts because it ensures that the

services being billed are still within recent memory. PCA is planning development of a website module that will permit conservators and attorneys to submit their invoices online. The planned system will be more convenient for vendors and will greatly reduce the paperwork associated with the payables review and approval process.”

Reporting of Schedule of Meetings under the Freedom of Information Act

- Criteria:* Section 1-225 subsection (b) of the General Statutes requires each public agency to file a schedule of its regular meetings for the ensuing year by January 31st of each year with the Office of the Secretary of the State.
- Condition:* There was no schedule of meetings filed with the Secretary of State for the Probate Court Administration Budget Committee or for open hearings of the Council on Probate Judicial Conduct.
- Cause:* Oversight was not sufficient to ensure the schedules were filed with the Office of the Secretary of the State.
- Effect:* Without such notice, members of the public may not have known of the meetings scheduled to administer aspects of the probate court system, particularly during the period of probate court reform.
- Recommendation:* The Office of the Probate Court Administrator should file the schedules of regular meetings with the Office of the Secretary of the State in accordance with Section 1-225 subsection (b) of the General Statutes. (See Recommendation 10.)
- Agency Response:* “Probate Court Budget Committee We agree that the Freedom of Information Act applies to the Probate Court Budget Committee and sought to comply with its requirements with a link from the Secretary of the State (SOTS) website to our website, where all of the required information has been posted since the committee was first established in 2010. That link was terminated without our knowledge. We now send all meeting agendas to be posted on the SOTS Listing of State Agency Agendas. The committee’s schedule of regular meetings for 2014 is also on file with SOTS.
Council on Probate Judicial Conduct The Council on Probate Judicial Conduct is an independent statutory body charged with investigating and deciding complaints alleging judicial misconduct. This judicial function is exempt from the Freedom of Information Act under C.G.S. Section 1-200 (1) (A). Notably, C.G.S. Section 45a-63 (d) requires the council to maintain the confidentiality of proceedings unless the council finds probable cause that a judge has committed misconduct. When probable cause is found, the council has historically provided notice of public hearings with two successive advertisements in a daily newspaper that circulates in the vicinity

of the respondent judge's court. Going forward, the council will also post notice of public hearings on the SOTS website."

Disaster Recovery Plan

- Criteria:* Sound business practices include provisions that organizations have current and comprehensive disaster recovery plans in place to enable the resumption of critical operations within a reasonable time after a disaster occurs. Such a plan should include key areas such as the disaster recovery team, guidelines for the immediate aftermath of a disaster, evidence that the plan is tested annually and adequacy of any recovery plan for outsourced services.
- Condition:* The Office of the Probate Court Administrator's disaster recovery plan is insufficient to address key areas of a valid disaster recovery plan.
- Effect:* The lack of a comprehensive disaster recovery plan would affect the ability of the Probate Court Administrator to resume its daily critical business operations in a timely manner.
- Cause:* Management created a disaster recovery plan that lacks the minimum detail required for documenting key areas and it does not appear to be tested or included in its policies and procedures manual.
- Recommendation:* The Office of the Probate Court Administrator should develop and test a comprehensive disaster recovery plan to ensure resumption of critical business operations in a timely manner in case of a disaster. (Recommendation 11.)
- Agency Response:* "While PCA has previously developed plans for various elements of disaster recovery, the elements were not coordinated into a single cohesive plan. Based upon this recommendation, we have developed a comprehensive policy which will be added to the PCA Policy Manual, effective 1/1/2015."

Monitoring of Service Organization

- Criteria:* When the Office of the Probate Court Administrator uses an outside service organization to facilitate significant financial tasks, it should obtain assurance that the service organization's internal controls are functioning in an appropriate manner. The standard method of obtaining such assurance is by acquiring and reviewing the service organization's control report.
- Condition:* The Probate Court Administrator did not acquire the service organization's control report for the payroll processing service it contracted with to process payroll transactions for the district probate court employees as of April 17, 2013.

- Cause:* The duty to acquire and review the report was not properly assigned.
- Effect:* The Probate Court Administrator may be exposed to more risk in the area of payroll processing and is unable to monitor and assess its contractor appropriately for any areas needing improvement.
- Recommendation:* The Office of the Probate Court Administrator should acquire and review the audit report on the processes of the outside service organization it hired to produce payroll for the non-state, district court employees. (See Recommendation 12.)
- Agency Response:* “PCA obtained the proper audit report for third party service organizations for the payroll processing vendor when we first contracted with the organization in 2010. Based on this recommendation, we have obtained the 2012 and 2013 reports and will obtain and review the report annually on a going forward basis.”

Organizational Status for the Connecticut Probate Assembly

- Criteria:* The Connecticut Probate Assembly operates pursuant to Sections 45a-90 and 45a-91 of the General Statutes and is authorized by statute to transact any business that pertains to the probate courts, the improvement of and uniformity in their procedure and practice, the administration of justice in the probate courts and the administration of the assembly. The assembly may make such recommendations to the Probate Court Administrator as it sees fit regarding any or all of these matters. Its bylaws state that it is a nonprofit organization and that no substantial part of the activities of the assembly shall be the carrying on of propaganda, or otherwise attempting to influence legislation. Organizations should be properly registered and report appropriately to federal and state authorities.
- Condition:* The Connecticut Probate Assembly is not organized formally as a nonprofit organization with federal or state authorities and it paid for “legislative support” during the probate reform process. According to its qualified independent auditor’s opinion, the assembly should pursue filing of its reporting obligations.
- Cause:* The assembly did not follow through with the required reporting to formally establish the organization.
- Effect:* The assembly has not reported annually to federal or state authorities as appropriate, and certain liabilities may exist.

Recommendation: The Connecticut Probate Assembly should pursue an official status and follow through with filing organizational and annual reports as required. (See Recommendation 13.)

Assembly Response: “The Connecticut Probate Assembly was given its statutory existence and statutory powers and duties in 1941, with funding authorized by statute in 1947. The Connecticut Probate Assembly will review its bylaws, amend them as necessary and follow through with any organizational changes that may now be necessitated by the court reorganization effective January 2011.”

RECOMMENDATIONS

Our prior report on the Office of the Probate Court Administrator contained five recommendations. Of these prior recommendations, two were implemented and three are restated as current audit recommendations.

Status of Prior Audit Recommendations:

- The office should ensure attendance policies are formally adopted as revisions are made. It appears that the attendance policies were adopted formally and this recommendation will not be repeated.
- The office should update the software inventory to reflect the current software, conduct physical inventories, and maintain records in accordance with State Property Control Manual. During our current audit, we noted similar conditions and the recommendation will be repeated.
- The office should only use capital expenditure codes for those items that meet the State Property Control Manual's definition of a capital asset. This recommendation will be repeated.
- The office should monitor and approve the use of purchasing cards in a timely manner to ensure they are used in accordance with established policies and procedures. While there were improvements for the processing of the purchasing cards, we found overcharges that did not apply the state contract pricing and this recommendation will be repeated.
- Council on Probate Judicial Conduct activities should be adequately reviewed and processed in accordance with statutory requirements. We found improvement during our current audit and this finding will not be repeated.

Current Audit Recommendations:

1. **The Office of the Probate Court Administrator should have cash in state-approved bank accounts and the related transactions accounted for within the state's centralized accounting system.**

Comment:

The State Treasurer and the State Comptroller have the authority under the General Statutes to establish and manage such banking relationships, not the administrator.

2. **The Probate Court Budget Committee should authorize payments only to approved vendors, and the Probate Court Administrator should pay amounts in accordance**

with state contracts, recover overpayments and authorize payment for expedited shipping only when necessary.

Comment:

The established procedures set forth by the State Comptroller, who has the authority under the General Statutes to set such rules, were circumvented. Overpayments should always be recovered and paying for unnecessary expedited shipping was also cited in our prior audit report.

3. **The Office of the Probate Court Administrator should determine whether statutory authority is needed for expenses related to the administration of passports and should determine and document an appropriate staffing allocation method to ensure that undue burdens are not placed on such courts.**

Comment:

Services not provided for within the General Statutes are being performed by district courts. There may be an undue burden placed upon the staff and the Probate Court Administration Fund to support such services.

4. **The Office of the Probate Court Administrator should provide guidance, oversight and monitoring to the district courts to ensure proper segregation of duties over the collection, recording and depositing of revenues, as well as accountability reports.**

Comment:

The risk of loss increases when internal controls are insufficient.

5. **The Office of the Probate Court Administrator should follow the directives within Section 3-7 of the General Statutes and the State Accounting Manual for administration of its receipts, receivables and write-offs.**

Comment:

The risk of loss increases when internal controls are insufficient.

6. **The Office of the Probate Court Administrator should report district court receivables to the State Comptroller.**

Comment:

Neither agency had realized the district court receivables were reportable amounts until we brought it to their attention.

7. **The Office of the Probate Court Administrator should correct its inventory records, comply with Section 4-36 of the General Statutes and implement the requirements of the State Property Control Manual to ensure complete accountability in managing the state's inventory.**

Comment:

The risk of loss increases when complete accountability in managing inventory is not maintained.

8. **The Office of the Probate Court Administrator should strengthen internal controls to implement a formal structure for complaints to be filed anonymously.**

Comment:

The risk of loss from fraud or misconduct is not lessened when there is no procedure to report anonymous complaints.

9. **The Office of the Probate Court Administrator should establish written policies for conservator billings.**

Comment:

The process to pay conservator billings is inefficient.

10. **The Office of the Probate Court Administrator should file the schedules of regular meetings with the Office of the Secretary of the State in accordance with Section 1-225 subsection (b) of the General Statutes.**

Comment:

The Probate Court Budget Committee's meetings should occur after proper scheduling notification to the Secretary of the State, who is the official responsible to maintain a central repository for the schedules of meetings that are open to the public.

11. **The Office of the Probate Court Administrator should develop and test a comprehensive disaster recovery plan to ensure resumption of critical business operations in a timely manner in case of a disaster.**

Comment:

If the disaster recovery plan is insufficient to ensure that operations can be resumed in a timely manner, the risk of loss is not lessened.

- 12. The Office of the Probate Court Administrator should acquire and review the audit report on the processes of the outside service organization it hired to produce payroll for the non-state, district court employees.**

Comment:

The Office of the Administrator needs to monitor its third-party service provider.

- 13. The Connecticut Probate Assembly should pursue an official status and follow through with filing organizational and annual reports as required.**

Comment:

An official status is important to any organization as it determines the appropriate reporting to federal and state authorities.

INDEPENDENT AUDITORS' CERTIFICATION

As required by Section 2-90 of the General Statutes we have audited the books and accounts of the Office of the Probate Court Administrator for the fiscal years ended June 30, 2011 and 2012. This audit was primarily limited to performing tests of the office's compliance with certain provisions of laws, regulations, contracts and grant agreements and to understanding and evaluating the effectiveness of the office's internal control policies and procedures for ensuring that (1) the provisions of certain laws, regulations, contracts and grant agreements applicable to the office are complied with, (2) the financial transactions of the office are properly initiated, authorized, recorded, processed and reported on consistent with management's direction, and (3) the assets of the office are safeguarded against loss or unauthorized use. The financial statement information related to the Probate Court Administrator for the fiscal years ended June 30, 2011 and 2012, is 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 Office of the Probate Court Administrator complied in all material or significant respects with the provisions of certain laws, regulations, contracts and grant agreements, and to obtain a sufficient understanding of the internal controls to plan the audit and determine the nature, timing and extent of tests to be performed during the conduct of the audit.

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

Management of the Office of the Probate Court Administrator is responsible for establishing and maintaining effective internal control over financial operations, safeguarding of assets, and compliance with the requirements of laws, regulations, contracts, and grants. In planning and performing our audit, we considered the Office of the Probate Court Administrator's internal control over its financial operations, safeguarding of assets, and compliance with requirements as a basis for designing our auditing procedures for the purpose of evaluating the office's financial operations, safeguarding of assets, and compliance with certain provisions of laws, regulations, contracts and grant agreements, but not for the purpose of expressing an opinion on the effectiveness of the office's internal control over those control objectives. Accordingly, we do not express an opinion on the effectiveness of the office's internal control over those control objectives.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct on a timely basis, unauthorized, illegal or irregular transactions, or breakdowns in the safekeeping of any asset or resource. A *material weakness* is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that noncompliance, which could result in significant unauthorized, illegal, irregular or unsafe transactions and/or material noncompliance with certain provisions of laws, regulations,

contracts, and grant agreements that would be material in relation to the office's financial operations will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial operations, safeguarding of assets, and compliance with requirements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial operations, safeguarding of assets, and compliance with requirements that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over the office's financial operations, safeguarding of assets, or compliance with requirements that we consider to be material weaknesses, as defined above. However, we consider the following deficiencies, described in detail in the accompanying Condition of Records and Recommendations sections of this report, to be significant deficiencies: Recommendation 4 – inadequate controls over collecting, recording, and depositing of revenues; Recommendation 5 – inadequate controls over receivables and write-offs; and Recommendation 7 – recording inventory incorrectly. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters:

As part of obtaining reasonable assurance about whether the Office of the Probate Court Administrator complied with laws, regulations, contracts and grant agreements, 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 office's financial operations, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

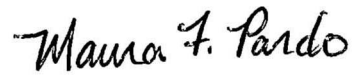
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which we reported to Office management in the accompanying Condition of Records and Recommendations sections of this report.

The Office of the Probate Court Administrator's responses to the findings identified in our audit are described in the accompanying Condition of Records sections of this report. We did not audit the Office of the Probate Court Administrator's response and, accordingly, we express no opinion on it.

This report is intended for the information and use of the office management, 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 courtesies and cooperation extended to our representatives by the personnel of the Office of the Probate Court Administrator during the course of our examination.



Maura F. Pardo
Principal Auditor

Approved:



John C. Geragosian
Auditor of Public Accounts



Robert M. Ward
Auditor of Public Accounts