Judiciary
Administrative Office of the Courts

July 1, 2001 to October 31, 2002

Richard L. Fair
State Auditor
The Honorable Deborah T. Poritz  
Chief Justice of the Supreme Court

The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Judiciary, Administrative Office of the Courts for the period July 1, 2001 to October 31, 2002. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor
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Judiciary
Administrative Office of the Courts

Scope

We have completed an audit of the Judiciary, Administrative Office of the Courts (AOC) for the period July 1, 2001 to October 31, 2002. Our audit included financial activities accounted for in the state’s General Fund.

Expenditures of the office were approximately $188 million for fiscal year 2002. The prime responsibility of the AOC is to provide legal, administrative, and data processing support services through the central office and 15 trial court offices throughout the state. Revenues collected during fiscal year 2002 totaled $22 million. The major component of revenue was judgments and fees.

Objectives

The objectives of our audit were to determine whether financial transactions were related to AOC programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of significant conditions noted in our prior report.

The audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Governmental Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, administrative code, circular letters promulgated by the State Comptroller, and policies of the AOC. Provisions that we considered significant were documented and compliance with these requirements was verified by interview, observation, and through our samples of financial transactions. We also read
the budget message, reviewed financial trends, and interviewed AOC personnel to obtain an understanding of the programs and internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Sample populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the AOC and walked through the system to determine if the corrective action was effective.

Conclusions

We found the financial transactions included in our testing were related to AOC programs, were reasonable, and were recorded properly in the accounting system. In making this determination, we noted certain internal control matters meriting management’s attention. We also found that the AOC had resolved the significant issues noted in our prior report.
Payroll and Personnel

Maintenance of accurate and complete documentation is an important part of any system of internal control. Strong internal controls are required to assure disbursements are proper, accurate, and comply with prescribed regulations, policies, and procedures. Although controls are in place for most personnel and payroll functions involving the 1800 employees, we noted certain conditions which need improvement. The Time and Attendance Leave Record System (TALRS) generates biweekly verification reports showing the leave time taken during individual pay periods. Verification reports for pay periods 2 through 19 of calendar year 2002 were missing for three employees. We noted that leave time for one of these employees was not posted to TALRS even though an extended vacation had been taken. Additionally, we tested the verification reports for 22 units and found that in 12 cases either supervisory approval was lacking or approval was made by a timekeeper or supervisor certifying their own attendance records.

Recommendation

We recommend that all TALRS verification reports be approved by independent supervisory personnel and that these reports be forwarded to the payroll office for proper maintenance.

Auditee’s Response

The AOC Human Resource Division has issued TALRS guidelines to be followed by every Judiciary Central Office Unit. These guidelines require supervisory approval after timekeeper and employee review and sign off of bi-weekly TALRS verification reports.

In addition, the AOC Payroll and Benefits Unit has instituted a monitoring system to ensure that the TALRS verification reports reflect proper supervisory sign off.