The Judiciary Revenue Collections

July 1, 1995 to June 30, 1996
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transmittal Letter</td>
<td>1</td>
</tr>
<tr>
<td>Scope</td>
<td>3</td>
</tr>
<tr>
<td>Objectives</td>
<td>3</td>
</tr>
<tr>
<td>Methodology</td>
<td>4</td>
</tr>
<tr>
<td>Conclusions</td>
<td>4</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Internal Control Structure</td>
<td>5</td>
</tr>
<tr>
<td>Bail Forfeitures and Fees</td>
<td>6</td>
</tr>
<tr>
<td>Superior Court Unprocessed Revenue</td>
<td>8</td>
</tr>
<tr>
<td>Employee Access to the Central Automated Bail System (CABS)</td>
<td>9</td>
</tr>
<tr>
<td>Court Officer Audits</td>
<td>9</td>
</tr>
<tr>
<td>Departmental Response</td>
<td>11</td>
</tr>
</tbody>
</table>
Enclosed is our report on the audit of the revenue collected by the Judiciary for the period July 1, 1995 to June 30, 1996.

If you would like a personal briefing, please call me at (609) 292-3700.
This page was intentionally left blank.
Revenue Collected by the Judiciary

**Scope**

We have completed an audit of the revenue collected by the Judiciary for the period July 1, 1995 to June 30, 1996. Our audit included financial activities accounted for in the state’s General Fund and the following special revenue funds:

- Superior Court of New Jersey Trust Fund
- Board of Bar Examiners
- Trial Attorney Certification Program
- Lawyer’s Fund for Client Protection
- Ethics Financial Committee

We additionally included the following agency funds:

- Judiciary Bail Fund
- Judiciary Probation Fund
- Judiciary Special Civil Fund
- Judiciary Superior Court Miscellaneous Fund

The prime responsibility of the Judiciary is to oversee all court related activity within the state. Revenues of the agency totaled $275.1 million. During our audit period the major component of revenue was the $179.2 million reimbursement received from the counties.

**Objectives**

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

This 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 Government 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 agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview and observation and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and the internal control structure.

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. Samples were judgmentally selected and included 100 percent verification of the largest revenue source. We performed site visits to the Camden, Mercer and Monmouth vicinages.

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

Conclusions

We found that the revenue transactions included in our testing were related to the agency's programs, were reasonable and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.

We also found that the agency has resolved the significant issues noted in our prior report on the Judiciary. However, we did note that internal control weaknesses discussed in our vicinage reviews conducted during 1994 still exist. These issues have been
updated and restated in our current report.

Details of our findings and recommendations follow.

**Internal Control Structure**

Certain procedural weaknesses existed at the various units responsible for the collection and recording of cash receipts. These weaknesses reduced the effectiveness of the internal control structure at the three vicinages we reviewed and at the Administrative Office of the Courts (AOC). Effective internal controls are necessary to provide adequate assurance that funds received are protected from loss or unauthorized use. The weaknesses noted at some or all of the units reviewed include:

- **C** Receipts were not properly protected. We noted cases where revenue was left unguarded on top of desks. Checks at one location were left on the desk or in unlocked drawers overnight.

- **C** Checks were not restrictively endorsed upon receipt. Generally, checks were not endorsed until the day after they were received.

**Judiciary management should strengthen the cash receipts internal control structure to protect the assets of the state.**

- **C** Duties were not properly segregated among employees. Employees at some units were performing all functions from the collection of revenue through the reconciliation of bank statements.

- **C** Documentation in the form of mail logs and/or cash receipt journals were not being maintained.

- **C** Units maintaining cash receipt journals were not always reconciling daily totals to actual deposits.
**Recommendation**

We recommend the Judiciary require all units collecting revenue to:

- Store checks in secured areas until they are sent for deposit.
- Restrictively endorse checks immediately upon receipt.
- Divide assignments among employees to provide adequate segregation of duties.
- Maintain a mail log or receipts journal to record all funds received.
- Reconcile deposit tickets to mail logs or cash receipt journal on a daily basis.

**Bail Forfeitures and Fees**

All funds posted by individuals and the related fees required by state statute should be collected by the courts and deposited into state accounts in a timely manner.

The State Judicial Unification Act (N.J.S.A. 2B:10-1 et seq) placed the responsibility of bail posted for indictable offenses with the Judiciary effective January 1, 1995. The state also receives the related bail filing fees required by N.J.S.A. 22A:2-29. The following conditions require changes in procedures.

Bail filing fees of $160,000 had not been collected statewide by the vicinages since the takeover of the courts.

When an individual fails to meet the conditions of bail, the forfeited funds are divided between the state and the county. Forfeitures are just starting to occur for the post state takeover period, however, the AOC has not released these funds due to erroneous entries on the information system. Additionally, counties are permitted to recover the counsel charges incurred to process bail forfeitures. However, the AOC had not defined which costs could be charged nor developed
a standard fee schedule resulting in no motivation for the county counsel to process these cases in a cost efficient manner.

Bail is collected by the municipalities as well as at the county jails. However, municipalities did not always remit collections to the vicinages in a timely manner. Delays in transferring funds ranged from seven to twelve months. The Automated Criminal System (a subsystem of the Automated Traffic System) contains a field for designating indictable offenses and should be used to determine if municipalities are holding bail funds that should be transferred to the state. The delay in bringing bail funds under state control violates the New Jersey Rules of Court R. 7:5-2 and increases the possibility of loss or unauthorized use.

**Recommendation**

We recommend the AOC:

Assign the collection of these bail filing fees to the Comprehensive Enforcement Program. This program was established in 1995 to handle all matters involving the collection of monies in the Superior Court which have not been resolved. We further recommend the AOC enforce the collection of these fees at the time of bail posting.

Ensure that accurate information concerning bail forfeitures is entered on the information system to facilitate timely distribution.

Ensure the reasonableness of county counsel fees through defining allowability and requiring adequate documentation of costs or developing a standard fee schedule. Another possibility would be to have the Attorney General serve as counsel in forfeiture matters.

Ensure the municipalities are submitting bail receipts in a timely manner via management reports from the Automated Criminal System.
Incorrect usage of management reports resulted in processing backlogs and some revenues not being forwarded to the General Fund.

Superior Court Unprocessed Revenue

Fees are required when civil actions are filed within the various courts. The vicinages utilize the Automated Case Management System (ACMS) subrevenue system as a cash receipts journal to log in daily receipts. These entries must then be processed through the ACMS accounting system in order for the action to be entered on the court calendar. The Month End Unprocessed Revenue Report for June 30, 1996 indicated that actions supported by receipts of $415,800 had not been processed even though they had been received at least three days prior. Additionally, the unprocessed amount included Special Civil Court revenues that had not been forwarded to the General Fund. Vicinage personnel do not review the cumulative unprocessed transactions. Instead they only review those of the prior day. This resulted in older transactions being overlooked and remaining unprocessed. Superior Court Clerk’s Office was aware of the problem and had asked the vicinages to address the situation, but found that the items were not being cleared properly. Using a wild card batch number, these transactions were cleared from the report but were still not processed.

Recommendation

We recommend that the AOC ensure that revenue transactions are processed on a timely basis. We further recommend that all unprocessed revenue transactions on the subrevenue system be entered in the ACMS accounting system, necessary actions taken, and applicable revenue forwarded to the General Fund. Finally, the practice of clearing unprocessed transactions by the use of wild card batch numbers should be discontinued.
Employee Access to the Central Automated Bail System (CABS)

Corrections and adjustments to CABS should be independently reviewed by management to ensure the accuracy of entries.

Recommendation

We recommend the Judiciary require a supervisor to approve corrections or adjustments. We further recommend that a policy be established requiring the Daily Bail Activity Report be initialed documenting independent review of corrections and adjustments.

Court Officer Audits

The Judiciary should enforce court officers' compliance with the audit requirements of New Jersey AOC Directive #4-82.

Recommendation

We recommend the Judiciary enforce the audit requirements for court officers contained in New Jersey AOC Directive #4-82.