New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Judiciary
Superior Court of New Jersey
Atlantic and Cape May Vicinage

July 1, 2002 to August 31, 2003

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State Auditor
Enclosed is our report on the audit of the Judiciary, Superior Court of New Jersey, Atlantic and Cape May Vicinage for the period July 1, 2002 to August 31, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

November 6, 2003
## Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Collection of Forfeited Bail From Individuals</td>
<td>3</td>
</tr>
<tr>
<td>Removal of Surety Companies From the Bail Registry</td>
<td>3</td>
</tr>
<tr>
<td>Segregation of Duties</td>
<td>4</td>
</tr>
</tbody>
</table>
Judiciary
Superior Court of New Jersey
Atlantic and Cape May Vicinage

Scope
We have completed an audit of the Judiciary, Superior Court of New Jersey, Atlantic/Cape May Vicinage for the period July 1, 2002 to August 31, 2003. Our audit included financial activities accounted for in the state’s General Fund as well as vicinage functions related to the Judiciary’s Bail, Probation, Special Civil, and Superior Court funds. This audit did not include the financial transactions of the Child Support Program.

The vicinage is one of 15 vicinages encompassing the 21 counties in New Jersey. The prime responsibility of the vicinage is the overall operation of the Civil, Criminal and Family Courts, the Probation Services Unit, and Trial Court Services. Annual expenditures are $22.5 million. Cash receipts consisting of civil and family court fees, fines/restitutions and bail are $8 million annually.

Objectives
The objectives of our audit were to determine whether financial transactions were related to the vicinage’s programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant condition 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 Judiciary and the vicinage. Provisions that we considered
significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed vicinage 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. Transactions were judgmentally selected for testing.

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

**Conclusions**

We found that the financial transactions included in our testing were related to the vicinage’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 vicinage has not resolved the significant issue noted in our prior report relating to Payroll and Personnel. This issue has been restated in our current report.
Collection of Forfeited Bail From Individuals

Under the Judicial Unification Act, the County Counsel is responsible for the collection of forfeited bail. As of April 30, 2003, forfeited bail from defendants owed to the state totaled $10 million. The County Counsel is not proactive in its approach to collecting forfeited bail from defendants. One source not used is the state’s Set-off of Individual Liabilities (SOIL) program which withholds tax refunds as payment against outstanding debts. Another state resource that could also be used is the Department of Labor (DOL) wage reporting system. Wages earned in the state could be identified and collections could be processed through garnishment.

Recommendation

We recommend that the County Counsel, with the assistance of the AOC, implement enhanced collection efforts through existing state sources, such as SOIL and DOL wage reporting.

Auditee’s Response

The AOC agrees with the recommendation and will be meeting with the Department of the Treasury to develop a plan and process to incorporate the use of the SOIL and DOL programs to intercept government payment such as tax refunds, rebates and wages.

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Removal of Surety Companies From the Bail Registry

The Administrative Office of the Courts Directive #3-02 states that bail forfeitures that are not satisfied or that do not have a motion to vacate the forfeiture within 75 days of the date of the notice of forfeiture will result in the entry of a judgment against the surety company that posted the bail. Such judgment will result in removal of the names of all of a corporate surety company’s licensed insurance
producers and limited insurance representatives (bail bondsmen) from the statewide Bail Registry of approved sureties. This registry is maintained by the Clerk of the Superior Court who serves a notice to the defaulted surety allowing an additional 15 days to satisfy judgment; otherwise, their names should be removed from the bail registry pursuant to Rule 1:13-3(e).

As of April 30, 2003, the Central Automated Bail System (CABS) disclosed 18 surety companies with a total of 160 default judgment cases amounting to $2.6 million in uncollected corporate surety bonds. Only six of the 18 defaulted companies were removed from the statewide Bail Registry and prohibited from issuing additional bonds.

**Recommendation**

We recommend delinquent sureties in default of judgments be removed from the statewide Bail Registry by the Clerk of the Superior Court and be prohibited from performing such activity in the state until the defaults are satisfied.

**Auditee’s Response**

We agree that sureties in default of judgments be removed from the statewide Bail Registry. To ensure that the Clerk of the Superior Court receives all judgments, the AOC will provide the Clerk of the Superior Court a listing of all bail judgments in the CABS system on a monthly basis and the Clerk will notify the AOC of any missing judgments. The audit detail will be reviewed with the Clerk to identify any outstanding judgments that require preclusion notices to be issued.

**Segregation of Duties**

An adequate system of internal control that includes segregation of duties is necessary for any process which involves the collection and disbursement of cash in order to safeguard these items from loss or misappropriation.
Duties should be segregated in the bail process.

The vicinage should improve internal controls in the areas of payroll and personnel.

**Recommendation**

We recommend that the vicinage segregate the bail recording and refunding functions, and limit security access to CABS based on users’ job duties. The vicinage should also strengthen internal controls over payroll and personnel by segregating personnel functions from the check distribution function.

**Auditee’s Response**

CABS system access in the seven person Cape May Finance office will be restricted to a greater degree. The office is in the process of reassigning duties as a result of a divisional reorganization in February 2003, which include the responsibilities of processing bail.

The vicinage views the current CABS system access in Mays Landing as a necessity for operating a small office, two staff members and a supervisor, located 18 miles from the main office. The determining

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**Bail**

During fiscal year 2003, the vicinage collected $1.9 million in cash bails and fees. The clerks at each county have the ability to record bail receipts, refund bail funds and have full access to the Central Automated Bail System (CABS), which allows for entry and modification of bail information. The combination of the ability to enter, change data and initiate refunds creates the opportunity for unauthorized use of bail funds; however, we noted no irregularities during our testing.

**Payroll and Personnel**

On the prior audit, our review of payroll procedures at one county within the vicinage noted that the individual who prepared the payroll proofs and maintained the leave time also received the bi-weekly pay checks prior to distribution. This weakness has not been corrected. Although no irregularities were noted, segregating these duties could reduce the risk that an error or irregularity may go undetected.
factors in granting CABS access were: operating efficiencies, impact on departmental operations, customer services and the risk/vulnerability on the Judiciary and the presence of compensating internal controls, the latter being a crucial factor.

It should be noted that the compensating internal controls present in the Finance offices in both counties include daily/monthly reviews and reconciliations of all work processed in the department by another individual and/or the supervisor. Additionally, the Finance Division operates a separate and independent General Ledger Department that reviews and reconciles all bail processing.

The Vicinage Human Resources staff involved in the processing of payroll and/or the payroll proof will not be involved in the distribution of bi-weekly paychecks. The duties of bi-weekly paycheck distribution in the outlying building will be assigned to divisions outside of Human Resources to ensure the segregation of duties.

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