Judiciary
Administrative Office of the Courts
Superior Court of New Jersey
Bergen Vicinage

July 1, 1997 to May 31, 1999
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Deborah T. Poritz  
Chief Justice of the Supreme Court

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services


If you would like a personal briefing, please call me at (609) 292-3700.

Peter M. Guilfoyle  
Assistant State Auditor  
September 28, 1999
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Scope

We have completed an audit of the Judiciary, Administrative Office of the Courts, Superior Court of New Jersey, Bergen Vicinage for the period July 1, 1997 to May 31, 1999. Our audit included financial activities accounted for in the state’s General Fund, and the Probation and Child Support Trust Funds, and the Bail Fund.

Annual General Fund operating expenditures for the vicinage were $20 million. The prime responsibility of the vicinage is to see to the proper administration and operation of the Superior Court of New Jersey as pertains to the dissemination of justice within its jurisdiction. Included in its operations are the Criminal Courts, Civil and Special Civil Courts, Family Courts, Probation and Field Operations Units. Vicinage revenues totaled $4.3 million annually from various fees collected by the several courts. Monies are also collected from fines and restitutions and payment of child support as ordered by the courts. These receipts total $54.0 million annually and are disbursed by the other funds.

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 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 Administrative Office of the Courts. 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 vicinage personnel to obtain an understanding of the programs and internal controls.

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

To ascertain the status of findings included in our prior reports, 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 internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention. We also found that the vicinage has resolved the significant issues noted in our prior report except for the matters related to the monitoring of the court officers and the use of an unauthorized bank account. These issues have been updated and restated in our current report.
Revenue Internal Controls

The vicinage should strengthen controls and outline procedures for consistent revenue collection and recording.

The purpose of a system of internal control is to provide adequate checks and balances that ensure financial transactions are properly authorized and recorded and to provide a means to safeguard the assets of the entity. In order to accomplish these objectives, management generally provides a means to verify that all receipts are recorded and deposited; that more than one person is involved in the process; and that supervisory reviews and/or reconciliations take place to determine that this has occurred. If a strong system of internal control is in place, a greater deterrence exists to leave errors uncorrected or to misapply funds. It will also lead to an earlier detection of such occurrences.

Revenue is collected in five areas or divisions at the vicinage. The vicinage has no standard written procedures to outline duties and methods concerning revenue collection and recording. When reviewing procedures being utilized, we noted inconsistencies in the methods employed by the various sections of the vicinage. We also noted the following weaknesses in processing over-the-counter receipts of the Civil, Criminal and Probation Courts:

- There was no segregation of duties between employees receiving, recording and preparing deposits.

- Reconciliations were not made and/or supervisory approval of adjustments or corrections was not required.

- Prenumbered cash receipt forms were not used for over-the-counter collections of the Probation Court; nor were they used to verify deposited “cash” at the Civil or Criminal Courts.

- Not all receipts were deposited daily.
The cash collected and deposited at these locations varied during our test periods, but ranged up to $30,000 per day at the Probation Court. The above weaknesses create a lack of an audit trail to determine that all monies received were properly recorded and deposited, and create a high risk that an error or defalcation could occur and not be detected.

**Recommendation**

We recommend the finance office review revenue collection procedures at the various locations and issue directives to create consistency among the divisions. These directives should address segregating the duties of employees handling, recording and depositing cash, and supervisory approval of all corrections and adjustments. The use of prenumbered receipt books in areas handling cash and their verification to cash deposits by a person independent of the office preparing the deposit should be utilized. In addition, the vicinage should consider consolidating collection points. This will better allow them to segregate duties of the finance staff, cause independent reconciliations to be made, and provide for timely depositing for all areas.

**Auditee’s Response**

Consolidation of financial functions within the Bergen Vicinage Finance Office was initiated during the latter months of the audit period. Since the close of the audit period, Bergen has been implementing procedures, specified in the Finance Office Action Plan, to standardize operations and to improve efficiency and internal controls, including proper review and authorization of adjustments, and reconciliations. Specific internal control improvements are outlined below.

- Procedures for processing revenue in ACSES, CAPS, CABS, ACMS have been written and are currently being reviewed by accounting professionals within the Finance Division. This review will ensure adequacy of internal controls, as well as efficiency and standardization of processes within each fiscal area of the vicinage. In addition to documenting the processes, these procedures will address segregation of duties and supervisory review. Upon
completion, the procedures will be distributed to appropriate finance office staff.

- Although most of the employees responsible for receiving and recording of monies have been re-aligned to report to the Finance Manager, the fiscal areas are physically scattered throughout the program divisions. Due to space limitations, at this time, Bergen is unable to establish a Central Filing Office. A Central Filing Office may be accommodated when the new County Administration Building is completed (3/2001). Until then, increased supervision, approval and authorization requirements for reconciliations, adjustments etc. have been implemented.

- Reconciliations are now being performed daily and approved by the Accounts Manager. All adjustments which result in refunds are reviewed and signed by the Finance Division Manager. Adjustment approval policies within each system are currently under review to determine whether additional controls are needed.

- Prenumbered receipts are being used at the over-the-counter collections of the Probation Division. The receipts are logged and reconciled by a Financial Specialist on a daily basis. Also, prenumbered receipts and logs are used within the Criminal Enforcement Courts by the Probation Officers, and reconciled on a daily basis by the appropriate fiscal staff. In addition, prenumbered receipts are used for all financial transactions within the Civil Courts and reconciled by fiscal staff on a daily basis. All reconciliations are reviewed by the Accounts Managers within each area.

- All material receipts are now deposited daily. Collections, such as filing fees, gun permits, espousals, PTI, copy fees, where the
volume and dollar value are low, are deposited within forty-eight hours.

Proper Accounting for and Reconciliation of Bail

The bail fund was created with the “Unification Act” effective January 1, 1995. Counties remitted monies to the state representing the cash bail being held for persons awaiting trial.

The Central Automated Bail System (CABS) was subsequently introduced to the vicinages to record bail transactions and account for those balances. Vicinages were instructed to “back load” the transactions for bail received prior to the use of CABS into that system. The Administrative Office of the Courts (AOC) did not, however, instruct or assist the vicinages in reconciling the bail “back loaded” to the reports of prior periods nor to the amount of cash bail originally transmitted by the counties and deposited into the Bail Fund. The emphasis was on proving that current receipts deposited agreed with daily postings in CABS.

In our review of the vicinage’s bail balances and transactions, we noted that the cash bail on deposit at January 31, 1999 totaled $4,071,074 while the total per the CABS was $3,916,537, a difference of $154,537. We also noted the difference varied from month to month.

The vicinage does not account for these monthly differences. There is no monthly comparison of the balances per CABS to the cash on deposit. This difference may be due to some bail not being “back loaded” into CABS. Most court cases originating prior to and immediately following the Unification Act should be adjudicated, and the bail either returned to the surety, or forfeited. Prior periods bail not “back loaded” into the system may not have been properly

Reconciliations of vicinage records and those of the Central Automated Bail System are necessary to ensure the integrity of the system’s balances.
disposed of. We noted that escheatments of old bail whose sureties could not be located have not been made since the unification, and we could not determine the existence of forfeited bail which may also be due the state.

Failing to reconcile the CABS to the balance of cash increases the risk of loss or undetected errors remaining in the records.

**Recommendation**

We recommend that the vicinage perform comparisons and reconciliations of current differences between CABS and the cash on deposit. They should account for all changes in the difference between the cash on hand and the cash bail recorded. The vicinage should also attempt to determine any balance of unreturned bail and properly dispose of it, including where possible, those cases which may not have been “back loaded” into CABS or where forfeited bails are to be remitted to the state.

**Auditee’s Response**

The Bergen Finance Office currently performs monthly reconciliations between Bail deposits and CABS.

Most of the monthly variance between deposits and CABS identified in the audit was attributable to the acceptance of partial payments on forfeitures from Frontier Insurance Company and International Insurance Company. CABS does not allow partial payments to be recorded. Therefore, Bergen deposited the monies when received and maintained a separate reconciliation of the monies until the forfeitures are paid in full. Once paid in full, the cases may be closed out in CABS, thereby generating the check to the county for fifty percent of the forfeited bail collected. As of January 31, 1999, the partial payments deposited totaled approximately $102,874. Since then, all partials have been fully paid, and CABS has been updated appropriately.

Bergen has analyzed the reconciliations of deposits made from January 99 to June 99 and continues to use the standard monthly reconciliation format developed
by the conference of Finance Division Managers to account for differences between deposits and CABS records.

Regarding the escheatment of old bail, in June 1999, Bergen escheated approximately $37,527 related to 53 cases that were over ten years old.

Finally, the Bergen Finance Office representatives have been reviewing reports which identify outstanding refunds, balances, etc. and have met with the County Council and the Criminal Presiding Judge to facilitate resolution.

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### Monitoring of Court Officers Accounts

In our 1994 report, we indicated the Court Officers accounts appeared to contain balances in excess of their normal transactions. We recommended the vicinage monitor the officers’ financial statements and that monies on deposit be accounted for. We also recommended that the officers obtain proper bonding insurance. In our current review, we noted three officers have excess funds on hand. The officers’ June 1998 (most recent) reports show their balances were 87, 93, and 103 percent of their June receipts. Two additional officers reported outstanding checks in excess of $100,000 at June 30. Both amounts exceed their June receipts by over $20,000. This could be due to the officers not making timely disposition of monies entrusted to their care. We also noted the bonding insurance provided by two officers is $60,000 to $70,000 less than that required by AOC directive 4-82.

**Recommendation**

We recommend that the vicinage more closely monitor the accounts of its court officers. Included in the process should be that all officers account for the balances in their accounts as to the lack of disposition of monies and the reasons therefore.
Auditee’s Response

The Bergen Finance Office will develop a protocol for monitoring the Court Officer accounts in consultation with the Civil Division and the Public Accounting firm which conducts the audits of the court officer accounts.

The Finance Manager met with the Civil Division Management and all the Court Officers to identify the reasons for the large balances. Preliminary discussion indicates that the balances may be attributable to timing issues. The Bergen Finance Manager has contacted the public accounting firm auditors, who prepared the June 30th, 1998 officers’ account audits, to identify reconciling items in future audit reports and to assist in determining the cause of the excess balances.

The issue of inadequate bonding insurance of three Court Officers is also being researched with the auditors of the public accounting firm. If it is determined that additional insurance is required, then the officers involved have agreed to increase their insurance.

Use of an Unauthorized Checking Account

The vicinage retains one inactive bank account which is not properly authorized by the AOC or the state treasury. This account had been used for juvenile bail processed through the vicinage. The account has a balance of approximately $33,000. Included in this balance is $20,000 of dormant funds which could be subject to escheatment to the state. The vicinage has not received direction as to the proper disposition of those monies. We previously recommended that all such accounts be closed and the monies properly remitted to the AOC.

Recommendation

We recommend that the inactive checking account be closed and the AOC provide the vicinage with instruction as to the disposition of the balance.
Auditee’s Response

The Bergen Vicinage Finance Office staff have researched the documentation related to the Juvenile Bail account, in order to properly dispose of the balances and close the account. At this writing, the balance in the account is $36,197.75, associated with 79 cases. Open Juvenile Bail cases will be entered into CABS and unclaimed funds associated with 12 cases will be escheated.