Judiciary
Superior Court of New Jersey
Burlington Vicinage

July 1, 1997 to September 25, 1998

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

The Honorable Christine Todd Whitman  
Governor of New Jersey  

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  

Enclosed is our report on the audit of the Judiciary, Administrative Office of the Courts, Superior Court of New Jersey, Burlington Vicinage for the period July 1, 1997 to September 25, 1998.

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

Richard L. Fair  
State Auditor  
December 1, 1998
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Scope

We have completed an audit of the Judiciary, Administrative Office of the Courts, Superior Court of New Jersey, Burlington Vicinage for the period July 1, 1997 to September 25, 1998. Our audit included financial activities accounted for in the state’s General Fund, the Judiciary Special Civil Fund and the Judiciary Superior Court-Miscellaneous Fund.

Fiscal year 1998 General Fund appropriations for the vicinage were $7.7 million. The prime responsibility of the vicinage is the overall operation of the Civil, Criminal and Family Courts, the Probation Services Unit and a Trial Court Services Unit. Vicinage revenues totaled $1.4 million at June 30, 1998 and the major components of revenue were fines and fees collected as the result of court judgments. Receipts for the Judiciary Special Civil Fund and the Judiciary Superior Court-Miscellaneous Fund were $2.4 million and $1.1 million, respectively.

Objectives

The objectives of our audit were to determine whether financial 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 dated December 1, 1994.

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.

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 selected on a judgmental basis.

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 financial 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 control weaknesses and matters of compliance with laws and regulations warranting management’s attention.

We also found that issues relating to an inadequate segregation of duties within the revenue collection function made in our previous report dated December 1, 1994 have not yet been resolved. These issues have been updated and restated in our current report.

**Auditee’s Response**

The recommendation to strengthen internal controls over payroll processing and collection and disbursement procedures is timely. Burlington Vicinage has been actively engaged in implementing a finance division which will have full responsibility for all vicinage financial functions by early 1999. We are confident that the measures taken will strengthen the important internal control function of segregation of duties and provide the level of checks and balances
necessary to safeguard the assets of Burlington Vicinage.

Internal Controls

Properly designed and implemented internal controls include an adequate segregation of duties to reduce the opportunity of allowing one person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business as well as specific procedures to detect or minimize the chance of this occurring.

Payroll

The timekeeping and payroll processing functions were not properly segregated from the check distribution function. In accordance with established practices, individuals who prepared payroll proofs and maintained employee time records also had the responsibility of distributing paychecks. Also, weekly time records used to prepare bi-weekly payroll proofs were not properly certified for accuracy by a supervisor, timekeeper or individual employee. Furthermore, undistributed payroll checks were kept in an unsecured box until picked up and no formal log was maintained documenting the contents of this box. Finally, tests of leave records for mathematical accuracy and proper leave time posting disclosed errors having a cumulative effect of 15 days.

Recommendation

We recommend that the Burlington Vicinage strengthen their internal controls governing salary appropriations by:

- segregating the employee timekeeping and payroll proof functions from the check distribution function,

- requiring bi-weekly time records to be certified for accuracy by each employee and their immediate supervisor, and
maintaining a log documenting the contents of the box of undistributed checks.

Finally, we recommend that the Burlington Vicinage utilize either the Judiciary’s Trial Court Payroll Conversion System (TCPCS) or the Department of Personnel’s Time and Leave Reporting System (TALRS) to maintain accumulated leave records in order to minimize errors.

Auditee’s Response

In order to strengthen the internal controls within the areas of timekeeping and payroll, effective immediately all time records will be certified by employees and require approval by the immediate supervisor. Also, undistributed paychecks will be placed in a locked safe and distributed directly to the employee upon his/her return to work. Beginning with the full implementation of the vicinage finance division, payroll preparation and timekeeping duties will be segregated and a finance staff employee will be responsible for paycheck distribution and conversion will be made to the Department of Personnel’s Time and Leave Reporting System.

Receipts and Disbursements

The collection, deposit and disbursement functions were not properly segregated from the accounting and reconciliation functions. One person within each revenue source had full access to the Automated Case Management System (ACMS), prepared the daily deposits, initiated disbursements and performed required reconciliations. Furthermore, adjustments made to records on ACMS were not independently verified for propriety. This weakness was compounded because, in accordance with established practices, checks were not restrictively endorsed until the following day when the deposit was prepared. Finally, we noted that one person had the ability to prepare as well as sign special civil checks and performed bank reconciliations.

Recommendation

We recommend that the Burlington Vicinage strengthen their controls governing receipt and disbursements by:
properly segregating the recording function from the deposit function as well as the disbursement function from the reconciliation function,

- separating check access and preparation functions from the signing function, and

- restrictively endorsing checks upon receipt.

**Auditee’s Response**

The bookkeeping functions will be realigned so that the deposit, recording, reconciliation, and disbursement functions are not performed by the same individual within the Automated Case Management System (ACMS). Some functions such as bank reconciliation and check signing functions will be reassigned immediately while the remaining recommendations will be implemented early in 1999.