The Honorable Donald T. DiFrancesco  
Acting Governor of New Jersey

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

The Honorable Deborah Poritz  
Chief Justice of the Supreme Court

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Judiciary, Superior Court of New Jersey, Camden Vicinage for the period July 1, 1999 to December 31, 2000.

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

April 23, 2001
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Judiciary  
Superior Court of New Jersey, Camden Vicinage  

Scope  
We have completed an audit of the Judiciary, Superior Court of New Jersey, Camden Vicinage for the period July 1, 1999 to December 31, 2000. Our audit included financial activities accounted for in the state’s General Fund, the Judiciary Special Civil Fund and the Judiciary Bail Fund.

Expenditures of the vicinage during the 18-month audit period were $39.1 million. 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.

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 agency. 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 the 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 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. We also found that the vicinage has resolved the significant issues noted in our prior report except for time reporting. This issue has been updated and restated in our current report.
Allocation of Commissions

The vicinage collected $2.8 million in receipts from judgments of Special Civil Part of the Superior Court for the period September 1999 through December 2000. The Automated Case Management System (ACMS) was disproportionately allocating the receipts. When a case is entered on the system, the total amount due on the execution is computed by including the judgment amount, court expenses, and ten percent commission to the court officer who serves process. Since the total amount due already includes the ten percent commission, the proportions of the officer’s commission to the total due is nine percent (maximum commission / total amount due on the execution). When collections are made, the system then improperly allocates ten percent of collections, up to the established cap, to pay officer commissions. The system was programmed to do this because N.J.S.A. 22A:2-37.2c-3 provides that on every dollar collected on the execution, the writ of attachment, or any order, $.10 is paid to the officers as commission.

The ten percent disproportionally allocates collections between the officer commissions and payments to plaintiffs and causes the officer to be paid the maximum amount of commission before the debt is fully paid. If the officer also collects the maximum commission and leaves before the debt is fully paid, the newly assigned officer is responsible for collecting the remaining balance without commission.

Recommendation

We recommend that the system be reprogrammed to allocate and pay commission to court officers in proportion to the total amount due and the court recoup the disproportional amounts.

Auditee’s Response

Statute establishes commission amount, not the rate of disbursement. The rate of disbursement at 10% of sums collected; up to the cap, has been established by long standing administrative practice.
In the case of Camden, most of the work of the court officers is up front with service of process. The collection and accounting, i.e., the post judgment work, is done by Vicinage Finance Office staff. Therefore, the recommendation regarding proportional distribution of commission is particularly not applicable to Camden and the other three vicinages who provide post judgment processing services.

The recommendation may be arguably more applicable in the other vicinages where court officers are responsible for the collections and disbursements. However, implementation of the recommendation would unnecessarily complicate the accounting, as court officers would receive commission at 9.09% instead of at 10%.

With regard to the need to re-assign a case after the entire commission has been received, but before the full debt has been satisfied, the number of instances is small and occurs near the end of the wage execution when there is generally no work that actually has to be done by the succeeding officer. Further, an administrative remedy, wherein the Assignment Judge reallocates commission between officers, if necessary, has been found to be effective.

Therefore, the Judiciary will not be implementing this recommendation.

ACMS Balances

During the audit period, the vicinage changed from a manual ledger system, where collections from defendants and disbursements to the plaintiff were made by officers of the Special Civil Part, Law Division, to the Automated Case Management System (ACMS). Under ACMS post-judgment accounting, collections and disbursements are made by the vicinage. The division’s ACMS Post
Judgment Processing Manual contains procedures for handling, recording, and downloading transactions and balances relating to post-judgment accounting. However, the conversion was not properly planned or monitored and staff were not properly trained prior to implementation. Management significantly underestimated the volume of cases and condition of the records resulting in the backloading of old data being done hurriedly and not in accordance with the manual resulting in 25 of 58 tested cases (43 percent) having the incorrect transactions and/or balances backloaded to the ACMS. The balances due from defendants were overstated by $13,700 (53 percent).

The following problems were noted.

- Balances were unilaterally changed without providing audit trails.

- Twelve posting errors were due to either the transposition or omission of amounts, one of which resulted in the overpayment of a commission to an officer. There were instances where there was no support for the amounts posted to the system.

- There were three cases where the writ was not updated on the system to recalculate additional court costs after it was transferred from another county.

- One case had additional interest and the related commissions that were not posted to the system.

- The mathematical accuracy of ledger cards was not verified nor were they properly reconciled before backloading, resulting in errors not being detected. We found three cases where errors on the system resulted from math errors on ledger cards.

- Three cases were not backloaded.
- Three cases were purposely not backloaded because they involved overpayments. These overpayments were not returned to the defendants. The vicinage had not yet performed reviews to ensure that all cases were backloaded.

**Recommendation**

We recommend the vicinage review ledger cards and the Central Writ Register to determine that cases, transactions, and balances are accurately recorded on the ACMS. The vicinage should use reconciliations on a regular basis to detect errors or irregularities and to provide assurances that records are correct. Corrections of ACMS records should contain the proper audit trails and be recorded in accordance with the *ACMS Post Judgment Processing Manual*. We also recommend that overpayments be promptly addressed and refunded to defendants.

**Auditee’s Response**

An Action Plan to remediate errors or irregularities in the Automated Case Management System (ACMS) Post Judgment System is being developed by Camden Vicinage management with the assistance of Central Office and a neighboring vicinage.

The plan will include:
1. review of ACMS reports, ledger cards and the Central Writ Register,
2. reinforcement regarding proper procedures to maintain audit trails and to handle overpayments,
3. review and identification of resource and training needs; and

SURETIES IN DEFAULT SHOULD BE PROHIBITED UNTIL DEFAULTS ARE SATISFIED.

**Bail Bondsmen in Default**

The vicinage maintained a list of insurance producers, representatives, and bail bondsmen who were in default of judgments pursuant to bond forfeitures. There was $400,000 in default by such companies at November 30, 2000. The vicinage
allowed them to continue the writing of bail bonds because they were not removed from the statewide Bail Registry, even though the vicinage properly notified the Clerk of the New Jersey Superior Court of the defaults. Internal procedures provide that individual licensed insurance producers and limited insurance representatives who write delinquent surety bonds be removed from the Bail Registry until such time as the judgment or bail forfeiture has been satisfied.

**Recommendation**

We recommend the Administrative Office of the Courts ensure compliance with the procedures requiring removal of sureties in default of judgments from the statewide Bail Registry and prohibit their activity in the state until such defaults are satisfied.

**Auditee’s Response**

As of January 2, 2001, the Camden Bail Unit staff has been in compliance with Administrative Directive 7-00 (see attached) issued December 14, 2000. This Directive sets forth the procedures required to have an underwriter of surety bonds removed from the Bail Registry.

The issuance of a default judgment alone does not automatically result in removal from the Registry. The Clerk of the Superior Court must allow the surety company an additional 15 days to pay the judgment. If the surety fails to pay within 15 days, the surety will then be removed from the Registry assuming an appeal of the judgment has not been filed.

Prior to accepting a bail bond from any surety company, the Camden Finance Office staff checks a daily updated reporting program to verify the company is on the Bail Registry.
The vicinage should strengthen controls over the processing of payroll expenditures.

Payroll expenditures for the Camden Vicinage totaled $23.7 million during fiscal year 2000 and $11.3 million during fiscal year 2001 at December 31, 2000. Management is responsible for establishing and implementing internal controls over the payroll that safeguard assets from loss and unauthorized use. Segregation of duties is an essential element of internal control that decreases the risk that errors and irregularities may occur and go undetected. Adequate segregation of duties includes supervisory review and approval of time records.

Vicinage procedures required that biweekly time sheets be certified by the employee and reviewed and approved by the supervisor. As reported in our prior audit, this was not being fully enforced by management. We tested time sheets for the pay period ending March 24, 2000 and noted that 50 percent of the Criminal Division’s time sheets were not approved by the supervisor. Furthermore, 15 percent of the Civil Division’s time sheets were not approved by the supervisor and 12 percent of the time sheets were not certified by employees.

**Recommendation**

We recommend the vicinage enforce its policy on signatures and approvals on time sheets.

**Auditee’s Response**

The importance and need for signatures of both employees and supervisors on time sheets was emphasized in individual meetings with Division Managers, as well as discussion in the Vicinage Senior Managers’ Meeting. In addition, the following procedures were established:

1. Managers will conduct periodic review of time sheets to ensure that time sheets have been appropriately signed and approved;
2. On a quarterly basis, Division Managers must certify compliance with the vicinage policy by notifying the Trial Court Administrator.