The Judiciary
Superior Court of New Jersey
Essex Vicinage

July 1, 1996 to November 7, 1997

Richard L. Fair
State Auditor
Enclosed is our report on the audit of the Judiciary, Superior Court of New Jersey, Essex Vicinage for the period July 1, 1996 to November 7, 1997.

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

Richard L. Fair  
State Auditor  
January 12, 1998
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Scope

We have completed an audit of the Judiciary, Superior Court of New Jersey, Essex Vicinage, for the period July 1, 1996 to November 7, 1997. Our audit included financial activities accounted for in the state’s General Fund and the Judiciary Bail Fund which is classified as an agency fund.

Fiscal year 1997 appropriations for the vicinage were $36.3 million. The prime responsibility of the vicinage is the overall operation of the Civil, Criminal and Family Courts, the Probation Services Unit and a Field Operations section. The main components of vicinage revenues were fines and forfeitures which totaled $4.0 million during our audit period. Fiscal year 1997 receipts of the Judiciary Bail Fund totaled $4.5 million and disbursements totaled $4.8 million.

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 prior audit reports which related to our current audit scope.

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. Sample populations were judgmentally selected.

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 internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.

**Auditee’s Response**

The Essex Vicinage has taken the necessary measures to review and correct existing discrepancies with our payroll and time keeping process.
Payroll

Payroll expenditures for the vicinage totaled $34.7 million for fiscal year 1997 and the vicinage employs over 1000 individuals. As of January 1, 1995 vicinage employees were recognized as employees of the State of New Jersey and became subject to the rules and regulations governing other state employees. Management must establish proper internal controls to safeguard salary appropriations against theft or unauthorized use. A component of these controls should include adequate training of vicinage payroll employees regarding personnel rules and regulations.

Various deficiencies were noted in the testing of the payroll processing operations of the vicinage. These errors included inaccuracies in leave balance calculations, untimely removal from the payroll for employees leaving state service, and a lack of adequate supervisory review and approval of the payroll register and adjustments. As a result of these deficiencies we noted one employee’s estate did not receive the lump sum payout ($3,630) for earned but unused vacation leave, while another employee received a vacation lump sum payout ($1,734) after they had fully exhausted their vacation leave credits.

An internally developed computerized timekeeping program was used to track benefit leave time for vicinage employees. Exceptions were noted that indicated the potential existence of programming errors which questions the reliability of the program to serve as the basis for employee benefit leave time tracking.
Recommendation

We recommend that vicinage management strengthen the internal controls over payroll through the training of employees involved in employee benefits calculations, removing terminated employees timely and indicating proper support for payroll documents. We further recommend that the computerized tracking system be corrected and tested to prevent the deficiencies noted.

Auditee’s Response

Essex Vicinage’s plan to strengthen the internal controls over payroll will include additional training of personnel/payroll staff in the calculation of benefit time, and the processing of payroll and personnel actions. A secondary review process will be established to provide for a check and balance system for all actions processed in Human Resources.

Essex Vicinage has reviewed its leave time management tracking system and has identified problems and system deficiencies. The problems included memory management of the existing application. In some cases deficiencies in the system resulted from the lack of data entry discipline in the divisions.

A new attendance and time tracking system is in the final stages of development. Data entry deficiencies will be addressed through training, support and monitoring. The Human Resources Office of the AOC will be invited to review the new system.