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Judiciary
Superior Court of New Jersey
Union Vicinage

July 1, 2000 to November 30, 2001

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State Auditor
Enclosed is our report on the audit of the Judiciary, Superior Court of New Jersey, Union Vicinage for the period July 1, 2000 to November 30, 2001. If you would like a personal briefing, please call me at (609) 292-3700.

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We have completed an audit of the Union Vicinage for the period July 1, 2000 to November 30, 2001. Our audit included financial activities accounted for in the state’s General Fund as well as vicinage functions related to the Judiciary-Bail, Probation, Special Civil, and Superior Court funds. The audit does not include the financial transactions of Child Support.

Expenditures during fiscal year 2001 totaled $23 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. Revenues during fiscal year 2001 totaled $3 million. The major components of revenue were fees and fines collected by the courts. The Union Vicinage is one of 15 vicinages encompassing the 21 counties in New Jersey.

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.

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 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. 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. In making this determination, we noted certain internal control weaknesses meriting management’s attention.

We also found that the vicinage has not resolved the significant issues noted in our prior report related to Bail Fund Procedures and Payroll Procedures. These issues have been updated and restated in our current report.
The vicinage should develop standard biweekly time sheets and ensure that they are appropriately approved.

Time Reporting

The vicinage personnel office is responsible for oversight of employee time reporting. The vicinage has approximately 500 employees in 12 divisions. An essential element of internal control requires that time sheets be reviewed and approved by a supervisor to decrease the risk that errors and irregularities may occur and go undetected. As reported in our prior audit, the vicinage has not developed a standard time reporting system. Each division still uses its own method to report work and leave time.

Timekeepers and team leaders, rather than the employees, fill out the hours worked on the biweekly time sheets. Two divisions do not have daily sign-in-sheets. Furthermore, ten percent of the time sheets tested did not have supervisory approvals. Without standard time sheets subject to proper supervisory review and approval to support time worked and leave taken, there is an increased risk that employees could be paid for time not worked. There is also a risk that leave time taken will not be properly recorded.

Recommendation

The vicinage should develop a uniform time recording and reporting system for all the divisions and ensure that time sheets are appropriately reviewed and approved.

Auditee’s Response

A single Biweekly Time Record will be used by all Divisions in the Union Vicinage for time recording and reporting to Human Resources. A time report that is not signed and submitted by the Division Manager or Supervisor will be returned by Human Resources to the Division for immediate action. In all cases, the employees, not the timekeepers and/or team leaders will complete and sign their individual timesheet. Regular meetings will be conducted.
The vicinage should ensure proper documentation and supervisory review of the biweekly summons time records.

During fiscal year 2001, overtime payments at the vicinage totaled $100,000. Approximately 40 percent of these payments were made to four process servers (court clerks) for serving court summons. On a regular basis, the process servers fill out biweekly summons time records indicating total hours and mileage incurred during the period. These time records serve as the basis for the payment of overtime and mileage reimbursement. A proper system of internal control requires adequate accounting records as well as supervisory review of costs submitted for reimbursement in order to minimize the risk of errors and irregularities occurring and remaining undetected. None of the biweekly summons time records included in our sample had any supervisory approval signatures present. The design of these time records does not provide for details concerning the amount of time spent on each summons or the nature of the travel incurred in order to serve them. As a result, there is a risk that excessive overtime and travel costs could be incurred by the vicinage.

Recommendation

Supervisors should review overtime for supporting documentation and evaluate the reasonableness of time and mileage spent by the process servers. To provide such documentation, officers should be required to prepare detailed logs showing the list of summons served and the locations visited.

Auditee’s Response

We agree that a proper system of internal control requires adequate accounting records as well as supervisory review of records submitted for reimbursement. Union has always required each process server to maintain a log containing specific detailed information of each summons assigned.
including docket number, case caption, address for service and date served.

The two full time employees who continue to serve process have been advised to use a newly standardized format and to attach log sheets to the summons time record. The summons time record with the attached log sheet will contain a certification statement signed by the process server attesting to the accuracy of the information submitted. Prior to final submission for payment, the supervisor will review the documentation and attest to its reasonableness by signing.

Sureties in default should be removed from the statewide registry, and prohibited from any activity in the state until such defaults are satisfied.

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Bail Forfeitures

The Administrative Office of the Courts Directive #7-00 states that bail forfeitures that are not satisfied or have a motion to vacate the forfeiture filed within 45 days of the date of the notice of forfeiture will result in the entry of a judgment. 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. This registry is maintained by the Clerk of the Superior Court who serves a notice to the defaulted surety, allowing them an additional 15 days to satisfy the judgment; otherwise their names should be removed from the bail registry pursuant to Rule 1:13-3(e).

As of June 30, 2001, we noted the forfeiture report disclosed 39 forfeited bail cases totaling $227,000 in uncollected corporate surety bonds over one year old. These cases were never entered into default judgment because the bail unit chose to prioritize those forfeited bail cases that they considered to be financially significant. We also noted ten default judgments totaling $215,000 for which the Clerk of the Superior Court did not have records. Three of those ten cases were never entered into default judgment on the Central Automated Bail System.
(CABS) by the bail unit despite the fact that a consent judgment order had been issued. The bail unit is responsible for notifying the County Counsel of all forfeiture cases; the vicinage, in turn, informs the Clerk of the Superior Court of all default judgments. However, the Clerk of the Superior Court does not aggressively pursue the removal of such sureties from the statewide bail registry and prohibit their activity in the state until they have satisfied the defaults. Despite the fact that the vicinage is owed $442,000 in uncollected settlements and forfeitures, few corporate sureties have been suspended from issuing additional bonds.

**Recommendation**

We recommend that the bail unit review the status of all open cases listed on CABS and work with the County Counsel to notify the Clerk of the Superior Court of all sureties in default of judgment. The Clerk of the Superior Court should comply with the procedures requiring removal of all sureties in default of judgment from the statewide bail registry and prohibit their activity in the state until such defaults are satisfied.

**Auditee’s Response**

Union Vicinage continues to review bail forfeiture records to ensure that they are properly recorded in the CABS and Promis Gavel systems, moving forfeitures to default judgment, as appropriate. The vicinage has implemented a monthly routine, using CABS reports to identify bail in forfeiture status in excess of 45 days, review with County Counsel’s office, and then move these items to default judgment. Ultimately this process will result in default orders being sent to the Clerk of the Superior Court and will serve as the basis for generating preclusion notices to sureties. Copies of all Union Default Judgements are maintained in a binder in the Finance Division Manager’s Office.

Administrative Directive #7-00, which became effective January 2, 2001, prescribes the procedures and requirement for removal of sureties in default judgment from the statewide bail registry.
For that period covered by the audit (January - November 2001) during which the Directive was operative, the Clerk of the Superior Court issued 88 preclusion notices which contained 2,117 bail default judgements valued at $34,029,132. As a result of those notices, eight corporate surety companies were removed from the Surety Bond Registry. Three companies have since been restored, while five remain precluded due to outstanding unpaid bail forfeiture judgments.

During the audit period, Union filed 51 bail forfeiture judgements involving 7 corporate sureties. Forty-five of these defaults were included in preclusion notices to 5 corporate sureties. Two of these sureties had already been prohibited from writing bail, as they had been removed from the Bail Registry before Union filed their default judgments and before receiving these additional default notices. The other three sureties responded within the allotted time frame and thereby avoided preclusion.

Only 2 of the remaining 6 default judgments are unsatisfied. These will be included in preclusion notices against 2 additional sureties in April 2002.

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**Bail Processing**

The vicinage’s bail unit processes 3,800 bail recognizances annually. These bail cases are posted to the Central Automated Bail System (CABS), a statewide system utilized by the vicinages to record and process cash receipts, revenues, and contingent liabilities. As of July 21, 2001, there were 12,400 open bail cases totaling $97.3 million, including $1.4 million cash, $95.9 million in property and bonds, and $55,900 in released-on-own-recognizance bail.

As of August 30, 2001, there were 827 open cash bail cases totaling $1.25 million at Union Vicinage. Of this amount, 456 open cash bail cases totaling
$281,000 were at least two years old. Another 24 bail cases totaling $11,000 were in refund pending status since 1995. We traced 43 of those open bail cases to the case files recorded on the Prosecutor and Court Information System (Promis Gavel) for case disposition. All 43 cases were closed on Promis Gavel, yet remained in open status on CABS. When criminal cases are concluded and the courts authorize the release of bail, the sureties are entitled to the return of all deposited funds. Bail clerks use CABS to authorize the return of bail funds to the surety. The sureties to those open cash bails were never sent a surety address verification letter informing them that the case has been disposed and that the bail posted by them may be discharged upon address verification. Although the bail unit uses CABS for discharging bail, the system is not interfaced with Promis Gavel. As a result, each concluded case must be manually reviewed on Promis Gavel and matched to CABS to determine if bail was posted. In addition, there are no procedures for following up on sureties with unknown addresses. Unclaimed funds are at a high risk of misappropriation the longer they remain on CABS.

**Recommendation**

The bail unit should review the status of open bail cases and initiate refunding procedures for those completely adjudicated. In addition, written procedures should be developed to follow up on sureties with unknown addresses. Use of motor vehicle, income tax, and potential jury pool databases could aid in this identification. Development of an interface between Promis Gavel and CABS would increase efficiency.

**Auditee’s Response**

Union Vicinage concurs that the bail unit should review the status of open bail cases and initiate refunding procedures for those completely adjudicated and acknowledges a backlog. Union is presently processing cash refunds of December, 2001. Options to augment bail staff and prioritize assignments within the bail unit are being evaluated. It is anticipated that with prioritization, the cash bail
refund will be current within 1 month. Upon reviewing the auditor’s work paper in support of this finding, it was noted that the vast majority of the 43 open bail cases traced to the case files recorded on Promis Gavel were municipal remand cases dating back to 1995 or earlier. These bails cannot be refunded by the bail unit, but must be remanded back to the municipality of origin for disposition. It is anticipated that this project to review and process municipal remands will be completed by mid April, 2002.

With regard to follow-up procedures on sureties with unknown addresses, a “best practice” protocol will be developed in consultation with the Vicinage Finance Managers’ Conference, after evaluating the feasibility of using motor vehicle, income tax, and potential jury pool database as address sources.

The judiciary agrees that establishing an interface between Promis Gavel (PG) and CABS will facilitate the timely discharge of bail.

An interface between PG and CABS is currently being pilot tested in 1 vicinage and is scheduled for Judiciary wide implementation over the next 6 months. This interface will allow the CABS user to search PG and pull in PG data to update CABS records. In addition, a variety of online reports will be generated to CABS from PG actions are recorded. These reports will identify the need for the CABS user to initiate action to keep CABS current, thereby facilitating more timely bail discharge.

Collection of Probation Fines, Fees and Restitutions

The vicinage collected over $1.7 million in probation fines, fees and restitutions during fiscal year 2001. Adequate internal controls require a proper segregation of duties and sufficient detailed accounting records to summarize and present transactions to minimize the risk of loss of assets or
revenues through errors or irregularities that might occur and remain undetected.

Probationers sometimes pay their fines, fees and restitutions directly to their probation officers rather than at the cashier’s window. This situation usually occurs when the probationer arrives at the vicinage after the cashier’s window has already closed for the day. In addition, probationers are permitted to make payments at the vicinage satellite office in Plainfield, which is not equipped with a cashier’s station. Our review of probation revenues for one month indicated that 19 percent of receipts or $334,000 annually represented after-hours or off-site collections by probation officers. The Comprehensive Automated Probation System (CAPS) is not capturing such collections as unique items but is recording them as no different than receipts collected by the cashier during normal hours, resulting in a significant degradation of the audit trail. Finally, our review of the completed probation receipt booklets containing copies of the cash slips given to the probationer by their probation officer showed that these booklets are not reconciled to CAPS or to the vicinage’s financial deposit or other accounting reports.

The practice of allowing probation officers, who are responsible for enforcing compliance by probationers, to also collect the fines, fees and restitutions diminishes control. Collection should be done at an independent collection location or by an employee not responsible for enforcement. The lack of control increases the risk that not all revenue items collected will be properly deposited and recorded on the State’s financial system. However, in our test of probation revenues we found no such errors or irregularities. We noted that another vicinage recently ended this practice of after-hours collection by probation officers, requiring all probationers to report to the cashier’s station during normal operating hours.
**Recommendation**

The vicinage should stop the practice of permitting probationers to make payments of fines, fees and restitutions directly to their probation officers, and should require payment at the cashier’s window of the vicinage during normal operating hours.

**Auditee’s Response**

We concur that adequate internal controls require a proper segregation of duties and sufficient detailed accounting records to minimize the risk of loss of assets or revenues.

Due to current staffing constraints, Finance staff can not be dedicated to functions as cashier at Probation’s satellite office in Plainfield and to take payments in the Elizabeth office after hours. Currently, the cashier’s window in Elizabeth is open daily, Tuesday through Friday, from 8:30 AM to 4:30 PM. On Mondays, window hours are extended to accommodate late reporting, (8:30 AM to 6:00 PM).

Union plans to restructure processes and procedures to maximize collections while maintaining adequate accountability and effective internal controls. Probation will continue to accept payments, but will implement strict drop safe procedures to collect payments in Plainfield, as well as in Elizabeth whenever payments are made after normal cashier hours. Formal written procedures have been drafted and agreed upon by both Probation and Finance. Additionally, daily log sheets have implemented to document all payments and to provide an adequate audit trail enabling the vicinage to track payments to individual probation officers. The daily log sheet indicates the date, defendant’s name, case #, payment instrument and number, amount paid, receipt #, and is signed by the probation officer. No cash payments are accepted in the Plainfield Office or after hours. All collections received in Plainfield will continue to be transported to Elizabeth via police escort.
Internal controls need improvement in Special Civil and Bail.

Additionally, notices will be prominently displayed in all Probation Offices to advise probationers to expect a receipt for each payment.

Internal Controls

A proper system of internal control provides checks and balances to ensure financial transactions are properly authorized and recorded. Inadequate internal controls, including a lack of segregation of duties, unauthorized system access, and the absence of independent bank reconciliations, increase the risk that errors or irregularities of funds could occur and not be detected. Our review of the vicinage’s internal controls disclosed weaknesses in Special Civil and Bail divisions.

The special civil division disburses $1.2 million annually from a local checking account for the purpose of remitting filings fees to the State Treasurer, releasing rents held in escrow to landlords, and refunding filing fees. We noted that the person maintaining and balancing the checkbook also prepares the bank reconciliation. Proper segregation of duties requires that a person having custody of the checkbook should not reconcile the checking account.

There is a lack of segregation of duties in handling bail. The same person prepares deposits, disburses bail, and has full computerized security access to the Central Automated Bail System (CABS) where bail is posted and refunded. Furthermore, we found several employees that are no longer authorized to process bail continue to have full computerized system access to CABS. In addition, we noted the $1.5 million bail liability, representing 800 open bails on CABS had not been reconciled to the cash balance since June 30, 2001. Timely bail reconciliations provide assurance of proper accounting for all open bail held in trust.
Recommendation

The finance division should reconcile the special civil local checking account. We also recommend that the vicinage segregate the bail posting functions from bail disbursement functions. In addition, CABS access privileges should be reviewed and updated. Monthly bail reconciliations should be performed timely.

Auditee’s Response

Effective earlier in March, the responsibility for the monthly reconciliation of the Special Civil local checking account has been assigned to the Assistant Finance Division Manager and full operational responsibility for the Civil/Special finance functions will transfer to the Finance Division in mid April, 2002.

In both the Civil/Special and the Bail Units, resources will be reallocated and procedures will be restructured to improve segregation of duties. Monitoring will also be incorporated to lessen vulnerability.

CABS security profiles have been reviewed. Two criminal division staff profiles have been changed to allow inquiry access only and profiles for a deceased staff member and a former staff member have been deleted. A review and update of security access privileges will be addressed via the vicinage internal control review process. Additionally, upon notification of an employee’s termination, the Human Resources Division will routinely notify appropriate IT staff via email with a request to terminate access to all judiciary systems on the employee’s last working day. Upon completion of the access termination, the Information Technology Division will reply to the Human Resources confirming that access has been removed.

Regarding the need for timely bail reconciliations, the backlog is being addressed. Reconciliations have been completed through November, 2001 and
December’s reconciliation is currently in progress. Union’s bail reconciliations are projected to be current by May 1, 2002.