The Judiciary
Superior Court of New Jersey
Union Vicinage

July 1, 1995 to October 28, 1997
Enclosed is our report on the audit of The Judiciary, Superior Court of New Jersey Union Vicinage for the period July 1, 1995 to October 28, 1997.

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

Richard L. Fair
State Auditor
January 2, 1998
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The Judiciary
Superior Court of New Jersey Union Vicinage

Scope
We have completed an audit of The Judiciary, Superior Court of New Jersey, Union Vicinage for the period July 1, 1995 to October 28, 1997. Our audit included financial activities accounted for in the state's General Fund and the Judiciary Bail Fund.

Fiscal year 1997 appropriations for the vicinage were $17.9 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 approximated $4.8 million for fiscal years 1996 and 1997. Vicinage receipts and disbursements of the Judiciary Bail Fund for that period approximated $4.1 million and $3.2 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 issues noted in our prior report, dated December 1, 1994, and an Administrative Office of the Courts (AOC) internal audit report dated October 18, 1996.

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 transactions were judgmentally selected.

To ascertain the status of findings included in prior reports, 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 properly recorded in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meritng management’s attention.

We found that the agency has improved controls relating to segregation of duties originally commented on in our December 1994 review of the vicinage. Recommendations made in an AOC internal audit report dated October 18, 1996 concerning the operations of the bail fund have not been fully resolved. These issues have been updated and restated in our current report.
Bail Fund Procedures

We reviewed the vicinage’s procedures to receive, hold and disburse bail monies. As a part of our review, we tested for compliance to recommendations made by the AOC in their audit report dated October 18, 1996. The following conditions have not been corrected.

- Outstanding bail back loaded into the Central Automated Bail System (CABS) was not reconciled. This should have been done at periodic intervals during the process to assure the integrity of the system’s balances.

- CABS was not reconciled to the AOC’s monthly statements of the bail fund. At June 30, 1996, the AOC reported a difference of $309,000 between outstanding bail per CABS and funds on hand per NJCFS. The difference at June 30, 1997 was $109,000. Additionally, forfeited bail of $164,800 was pending disbursement at June 30, 1996. Currently, it appears that not all forfeited money has been disposed. The lack of reconciliations accounted for approximately $10,850 in duplicate forfeiture payments to Union County while Consent Judgment Orders filed in early 1995 (pre-CABS use) totaling approximately $3,400 remained due to the county as forfeited bails.

- The AOC audit report cited the existence of unclaimed funds dating back to 1993. Such money should be escheated to the state after a period of one year. Currently, the escheat procedure remains to be implemented because of the lack of integrity in the system brought on by a lack of reconciliations.

Additionally, there was no provision to record “suspense” items when trying to account for differences.

Reconciliations of vicinage records and those of the Central Automated Bail System are necessary to ensure the integrity of the system’s balances.
**Recommendation**

We recommend the AOC and the Trial Court Administrator take immediate steps to ensure the reconciling of bail transactions and balances. Included in this process should be the defined assignment of these duties to a person(s) independent of the bail process and provision of this person(s) to access or otherwise obtain the recorded transactions of both the CABS and the NJCFS.

We also recommend that an agreeable cut-off date be set to properly monitor differences for a one year period. At the end of this period, the unreconciled difference should remain constant and therefore be adjusted. This would create a starting point after which all differences could be properly accounted for and from which discrepancies could be handled on a case by case basis.

**Auditee’s Response**

The Vicinage has made progress since assumption of fiscal responsibilities January, 1995. More work needs to be done in the area of bail fund reconciliation, escheatment and internal procedures. Upon State takeover in January, 1995, a reconciliation was not completed (actual bonds were not pulled). To add to the problem, the CABS system did not go live until May, 1995, but back loading did not begin until September, 1995. This back loading included all bails processed from January to September plus all of the original money which has been turned over to the State by the County Clerk. During this time (January, 1995 to September, 1995), bail funds were disbursed manually via the checking account. In order to be able to complete a reconciliation, we have been working closely with County Counsel and we have been manually pulling every file and back loading. We have suspended work on the reconciliation with the agreement of County Counsel until January, 1998. Both offices agree that it will be more accurate and efficient to complete this process when we are able to use a clean year (1998) since every transaction completed in 1998 will be recorded on CABS. I anticipate all back loading to be completed and all forfeited bails forwarded to the County by June, 1998.
The escheatment procedure can be implemented upon completion of reconciliation.

Payroll Procedures

We reviewed the system used to record employee pay time. The vicinage has approximately 500 employees in 12 divisions. Neither the AOC, nor the vicinage has developed a standard time reporting system. Each reporting division uses its own method to report work and leave time to the payroll section of the vicinage’s administrative office. Our tests resulted in exceptions for not submitting time sheets, not signing time sheets, and a lack of supervisory approvals. Using a standard reporting system throughout the vicinage would reduce the risk that an error could occur and remain undetected in the records.

Recommendation

We recommend the AOC develop a standard employee time recording and reporting system and that the vicinage adopt this system to bring uniformity to all divisions within its jurisdiction.

Auditee’s Response

There is a standardized time reporting system which we have implemented in all operating divisions within the Vicinage.