The Honorable James E. McGreevey  
Governor of New Jersey

The Honorable John O. Bennett  
President of the Senate

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Judiciary, Superior Court of New Jersey, Somerset, Hunterdon and Warren Vicinage for the period July 1, 2001 to January 3, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

May 15, 2003

Richard L. Fair  
State Auditor

May 15, 2003
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Judiciary
Superior Court of New Jersey
Somerset, Hunterdon and Warren Vicinage

Scope
We have completed an audit of the Judiciary, Superior Court of New Jersey, Somerset, Hunterdon and Warren Vicinage for the period July 1, 2001 to January 3, 2003. Our audit included financial activities accounted for in the state’s General Fund as well as vicinage functions related to the Judiciary’s Bail, Probation, Special Civil, and Superior Court funds. The audit did not include the financial transactions of the Child Support Program.

The vicinage is one of 15 vicinages encompassing the 21 counties in New Jersey. 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. Expenditures of the vicinage during the audit period were $24.2 million. Revenues totaled $8.8 million. The major components of revenue were fees and fines collected by the courts.

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 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 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. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management’s attention.

We also found that the vicinage has resolved the significant issues noted in our prior report except for issues involving segregation of duties. These issues have been restated in our current report.
Discharging Bail

The vicinage needs to improve procedures for discharging and refunding bail funds.

As of September 27, 2002, there were 1640 open bail cases totaling $18.8 million of which $1.7 million were cash bails. In our sample of 30 cash bail cases, nine were found to have been adjudicated for more than one year. In addition, 413 open bail cases totaling $2 million were more than two years old. The longer bail funds go unclaimed, the more difficult and costly it becomes to locate the sureties.

The Administrative Office of the Courts initiated a pilot program at the vicinage that allows the interface between the criminal case system, Promis Gavel, and CABS. This interface establishes links between the two systems to facilitate sharing of up-to-date information and could expedite timely bail processing.

Recommendation

The vicinage should review the status of open bail cases and refunding procedures should be initiated for those completely adjudicated.

Auditee’s Response

The interface between the criminal case system, Promis Gavel, and CABS has been implemented. The Finance and Criminal Divisions are in the process of streamlining procedures in order to insure the timely discharge of bails in CABS at case disposition.
Sureties in default should be removed from the statewide registry.

The Administrative Office of the Courts’ Directive #3-02 states that bail forfeitures that are not satisfied or have a motion to vacate the forfeiture within 75 days of the date of the notice of forfeiture should result in the entry of a judgment against the surety company that posted the bail. Such judgment should result in the removal of the names of all of a corporate surety company’s licensed insurance producers and limited insurance representatives from the statewide Bail Registry of approved sureties. This registry is maintained by the Clerk of the Superior Court who serves a notice to the defaulted surety allowing an additional 15 days to satisfy the judgment; otherwise, their names should be removed from the Bail Registry.

The vicinage maintains a list of corporate sureties in default of judgments pursuant to bond forfeitures. As of September 30, 2002, the vicinage bail reports indicated the vicinage is owed $886,500 in uncollected settlements and forfeitures. There were ten companies with a total of 25 default judgment cases amounting to $277,500 in uncollected corporate surety bonds that were more than one year old. These cases were entered into default judgment and a consent judgment order had been issued. The vicinage’s bail units notified each County Counsel and informed the Clerk of the Superior Court of all default judgments. As of January 8, 2003, only 4 of the 10 defaulted companies were removed from the statewide Bail Registry.

Recommendation

We recommend delinquent sureties in default of judgments be removed from the statewide Bail Registry and be prohibited from performing such activity in the state until the defaults are satisfied.

Auditee’s Response

Regarding the ten sureties which the audit report identifies in default judgement:
two of the sureties are no longer in default,
• four of the sureties have been precluded,
• three of the sureties are scheduled for preclusion in early June 2003, and
• documentation related to one of the sureties requires additional research, after which appropriate action will be initiated.

Reconciliation of Bail Records

Hunterdon County’s reconciliation of the Central Automated Bail System to the New Jersey Comprehensive Financial System, the state’s computerized accounting system, indicates an unidentified difference of $30,500. We noted that the difference varied from month to month and part of it had been carried forward for more than five years. Failing to reconcile these differences increases the risk of loss or undetected errors remaining in the records.

Recommendation

We recommend that the vicinage investigate these unidentified differences and properly dispose of them.

Auditee’s Response

The unidentified differences have been researched, identified and properly recorded.

Probation System

The Comprehensive Automated Probation System (CAPS) is the primary accounting system used to account for the Judiciary Probation Fund’s receipts and disbursements as well as the balances due to victims and various state agencies. The purpose of this fund is to serve as a repository and trustee for the collection and disbursement of fines, penalties and restitutions. The Administrative Office of the Courts (AOC) is the custodian of the fund. We noted
automated restitution checks are paid directly from the fund while penalty checks due to state agencies are paid from vicinage accounts. To accomplish this the fund wires monies to each of the 21 bank accounts created for this purpose, where up to eight penalty checks are prepared and mailed to various state agencies. In order to improve the disbursement process over penalty checks, CAPS could merge and disburse all county collected penalties statewide, thus eliminating the need of all 21 bank accounts.

**Recommendation**

We recommend that the Administrative Office of the Courts (AOC) enhance CAPS, which would allow the consolidated payment of penalties to other state agencies and the elimination of the 21 bank accounts.

**Auditee’s Response**

We agree with the recommendation and will initiate appropriate action to have the CAPS system enhanced to allow for the consolidated payment of penalties. Once enhancements are completed, we will eliminate the 21 bank accounts.

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**Probationers’ Installment Payments**

Probationers’ payments should be based on the ability to pay.

The vicinage collects $1.8 million annually in court ordered fines, penalties, and restitutions (FPR) by offenders on probation. The current fines and penalties which are assessed upon conviction include a range of legislatively mandated and court imposed sanctions levied at sentencing. Receipts from these monetary sanctions are used to fund victim and community programs and law enforcement operations. Probationers can also be ordered to make restitution to compensate victims.

According to the AOC’s *Probation Services Division Non-Child Support Collections Manual*, FPR collections should be made over a period of time consistent with the defendant’s ability to pay. The manual further states that judges need to be able to use the financial background information, such as the
defendant’s gross income, to establish an installment payment schedule that the defendant can reasonably be expected to maintain, and that will recover the total amount owed in the least amount of time and, if possible, within the time period during which the defendant will be under probation supervision. As of November 9, 2002, probationers owed the Somerset Probation Division $2.6 million in restitutions and $.9 million in fines and penalties. The division does not follow the collections manual. Generally, the probation division prepares FPR payment plans by dividing the amount due by the length of the probation period instead of the probationer’s ability to pay, as evidenced in the following probation cases.

<table>
<thead>
<tr>
<th>Court Ordered Debt</th>
<th>Probationer’s Annual Income</th>
<th>Probation Period (Years)</th>
<th>Weekly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,265</td>
<td>$0</td>
<td>3</td>
<td>$85</td>
</tr>
<tr>
<td>$1,555</td>
<td>$30,000</td>
<td>3</td>
<td>$20</td>
</tr>
<tr>
<td>$1,205</td>
<td>$50,000</td>
<td>3</td>
<td>$15</td>
</tr>
</tbody>
</table>

**Recommendation**

We recommend that the vicinage adhere to the AOC collection manual by calculating a payment schedule for probationers based on their ability to pay.

**Auditee’s Response**

In the future, when determining payment schedules we will take into account all financial resources of the defendant and the defendant’s ability to pay pursuant to N.J.S.A. 2C:44-2c(1).

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**Hold Checks**

During the period July 1, 2001 to December 31, 2002, the vicinage processed 466 checks totaling $202,000 for 70 different vendors as hold checks. A hold check results when an agency requests state-issued checks be returned to the agency for special processing rather than being mailed directly to the
vendor. The Department of the Treasury Circular Letter 94-17 establishes general guidelines for the processing of hold checks to minimize the possibility of the misuse of this service. This practice by the vicinage results in additional risks of loss or misuse associated with the handling of checks. The development of more stringent policies and procedures in regards to hold checks could reduce the number of checks held for convenience rather than necessity. There were no instances of unauthorized purchases or irregularities noted during our testing.

**Recommendation**

We recommend management strengthen internal controls by implementing policies and procedures that prevent excessive use of hold checks.

**Auditee’s Response**

In accordance with the recently issued Management Services Bulletin, the Finance manager or the Assistant Finance Manager will be required to approve all requests for hold checks after the need to hold has been documented.

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**Segregation of Duties**

As noted in our prior report, an adequate system of internal control that includes segregation of duties is necessary for any process which involves the collection and disbursement of cash in order to safeguard these items from loss or misappropriation.

**Bail**

During fiscal year 2002, the vicinage collected $1.2 million in cash bail. The same person at each county has the ability to record bail receipts, refund bail funds and have full access to the Central Automated Bail System (CABS), which allows for entry and modification of bail information. The combination of the ability to enter, change data and initiate refunds creates a weak environment and the
The vicinage should improve internal controls in the areas of payroll and personnel.

The vicinage should seek reimbursement for the cost of psychological evaluations.

Payroll and Personnel

We noted that one individual in the vicinage has access to the Personnel Management Information System, the state’s computerized personnel system, enters/updates employees’ information, prepares the payroll proof and sends it to Trenton for processing. The same individual receives and opens the package containing the payroll checks, prior to their being sorted by different timekeepers, who also distribute the checks to the employees. No irregularities were noted; however, segregating these duties could reduce the risk that an error or irregularity may go undetected.

Recommendation

We recommend the vicinage segregate the bail recording and refunding functions, and limit security access to CABS based on users’ job duties. The vicinage should also strengthen internal controls over payroll and personnel by segregating personnel functions from the check distribution function.

Auditee’s Response

We are in agreement with the recommendation and have already taken action to implement required changes to ensure proper segregation of duties in both the bail and personnel functions.

Psychological Evaluation Expenditures

During fiscal year 2002 the vicinage’s cost of psychological evaluations totaled $6,510. Pursuant to the provisions of N.J.S.A. 2C:44-6.1 a defendant who is required to submit to a psychological evaluation will be liable for the cost of such evaluation. If the defendant is covered under a health insurance contract, policy or plan, the Administrative Office of the Courts should file a claim with the...
health insurance contract, policy or plan. In the event that a defendant is not covered under a health insurance contract, policy or plan, or if the defendant’s insurance contract, policy or plan does not fully cover the costs of the psychological evaluation, a lien may be filed for any unpaid amounts. During our review period the vicinage did not attempt to receive any reimbursement as they were unaware of this provision. In addition, the AOC has not issued any written policies or procedures to establish a guideline for the reimbursement process.

**Recommendation**

We recommend that the vicinage and the Administrative Office of the Courts develop adequate written policies and procedures to ensure that such reimbursements are requested in accordance with state regulations.

**Auditee’s Response**

We agree with the recommendation and will work with the Department of Banking and Insurance to develop the required policies and procedures.

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**Cash Collections by Probation Officers**

In each county, there is a central fee office (CFO). The central fee offices were established by the vicinage to increase accountability, as well as to improve segregation of duties over cash receipts. Court filers and probationers make cash payments directly at each county’s CFO cash window.

We noted the vicinage allows probation officers to collect cash from probationers after business hours. The practice of collecting fines, fees, and restitutions by probation officers, who are responsible for enforcing compliance by probationers, diminishes control and increases the risk that not all revenue items collected will be properly deposited and recorded on the state’s financial system.
<table>
<thead>
<tr>
<th><strong>Recommendation</strong></th>
<th>We recommend that the vicinage discontinue the practice of permitting probation officers to collect cash and initiate extended evening hours at each CFO similar to the practice at other vicinages.</th>
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<tbody>
<tr>
<td><strong>Auditee’s Response</strong></td>
<td>We agree with the need to safeguard collections. The Probation and Finance Divisions are developing a statewide policy, which would preclude or otherwise appropriately control the payment of cash by probationers.</td>
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</tbody>
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