New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

The Judiciary
Administrative Office of the Courts
Superior Court of New Jersey
Ocean Vicinage

July 1, 1996 to August 14, 1997

Richard L. Fair
State Auditor
Enclosed is our report on the audit of the Judiciary Administrative Office of the Courts, Superior Court of New Jersey, Ocean Vicinage for the period July 1, 1996 to August 14, 1997.

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

Thomas R. Meseroll
Technical Director
September 15, 1997
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>3</td>
</tr>
<tr>
<td>Payment Transaction Processing</td>
<td></td>
</tr>
<tr>
<td>Segregation of Duties</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing</td>
<td>5</td>
</tr>
</tbody>
</table>
The Judiciary
Administrative Office of the Courts
Superior Court of New Jersey
Ocean Vicinage

Scope

We have completed an audit of the Judiciary, Administrative Office of the Courts, Superior Court of New Jersey, Ocean Vicinage for the period July 1, 1996 to August 14, 1997. Our audit included financial activities accounted for in the state’s General Fund.

Fiscal year 1997 appropriations for the vicinage were $9.9 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.

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.

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 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 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**

Ocean Vicinage has developed a Corrective Action Plan in response to the OLS audit on financial and human resources administration. All of the corrective actions are in effect.

We wish to thank you and your staff for the assistance required to enhance our administrative operations.
Payroll

Payroll expenditures for the 12 months ended June 30, 1997 for the vicinage totaled $9.7 million. To safeguard salary appropriations against theft or unauthorized use, management must establish proper internal controls. The vicinage paycheck distribution and timekeeping functions were not properly segregated. The same individuals who maintained employee time records received and distributed paychecks.

Recommendation

We recommend the vicinage strengthen the internal controls over payroll through the segregation of employee timekeeping and paycheck distribution functions.

Auditee’s Response

The Human Resources Division is made up of four employees including the Division Manager and, although it is cumbersome, steps have been taken to segregate the duties. An independent staff member will distribute paychecks.

¼/²

Payment Transaction Processing
Segregation of Duties

Individuals with the Management Acquisition Control System - Enhanced (MACS-E) “P-byte” capability (enabling someone to process an entire MACS-E transaction, including requisitions, purchase orders, invoices, and payments) in combination with third level approval authority in the New Jersey Comprehensive Financial System (NJCFS) “MACB” security group can process a requisition and purchase order and initiate payment action in NJCFS. Four vicinage employees had the “P-byte” capability in combination
with third level approval authority in the NJCFS-“MACB” security group.

One individual frequently approved internal purchase requisitions and also ordered, received and initiated the payment process for goods and services. Additionally, employees could enter and approve transactions for payment without supervisory review. A weakness exists in the lack of an independent verification that goods or services ordered have been received or provided due to the absence of controls to assure a proper segregation of duties. Adequate segregation of duties strengthens internal controls and protects the state’s assets from loss or misuse.

**Recommendation**

We recommend the vicinage have the NJCFS and MACS-E security configurations changed and establish internal control procedures over purchasing to enhance segregation of duties.

**Auditee’s Response**

The AOC has taken steps in all vicinages to change security configurations to insure proper internal controls.

Additionally, approval procedures have been changed within the vicinage.

1. All requisitions are approved by the Division Manager of each division.

2. Purchase orders are initialed by the Vicinage Finance Manager and signed by the Trial Court Administrator.

3. Goods/services received are verified by an independent staff member not involved with the requisition, purchase or payment of said goods or services.
4. The Vicinage Finance Manager performs the final approval in NJCFS-MACS-E on all payments.

Purchasing

Vicinage purchases should be executed in accordance with established state guidelines.

Purchasing guidelines mandated by the Department of the Treasury, Division of Purchase and Property were not always adhered to by the vicinage. Proper price competition was not obtained as required by Circular Letter 96-23-GSA for seven ($25,237) of fifteen ($33,994) payment vouchers sampled. Compliance with the established purchasing guidelines is necessary to ensure the efficient and economical use of state resources.

Recommendation

We recommend vicinage purchases be made in accordance with purchasing guidelines established by the Department of the Treasury, Division of Purchase and Property.

Auditee's Response

Upon State unification some purchases (data mailers, certified mail mailers) were incorrectly thought to be from sole source vendors. Once it was realized our information was inaccurate we began to perform the correct procedure according to proper purchasing guidelines.