The Judiciary
Administrative Office of the Courts
Intensive Supervision and
Juvenile Intensive Supervision Programs

July 1, 1996 to March 20, 1998

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

Richard L. Fair
State Auditor
April 15, 1998
# 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>Timely Deposits</td>
<td>3</td>
</tr>
<tr>
<td>ISP Consultants</td>
<td>4</td>
</tr>
</tbody>
</table>
Judiciary
Administrative Office of the Courts
Intensive Supervision and Juvenile Intensive Supervision Programs

Scope
We have completed an audit of the Judiciary, Administrative Office of the Courts (AOC), Intensive Supervision (ISP) and Juvenile Intensive Supervision (JISP) Programs for the period July 1, 1996 to March 20, 1998. Our audit included financial activities accounted for in the state’s General Fund.

Fiscal year 1998 appropriations for the programs were $10.8 million. The prime responsibility of Intensive Supervision and Juvenile Intensive Supervision Programs is to provide intensive supervision of individuals released from New Jersey correctional institutions. Revenues of the programs approximated $250,000 during our audit period and the major component of revenue was cost-of-supervision collections.

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 our prior review.

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 review, we identified corrective action, if any, taken by the agency and walked through the revenue system to determine if 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.

We also noted that the agency has not resolved the issue noted in our prior report. This issue has been updated and restated in our current report.
Timely Deposits

The risk of loss or misuse of funds would be reduced if collections were deposited in a timely manner.

Field officers collect money orders from ISP participants on a random basis and remit the money orders to the regional offices weekly. The receipts totaling $150,000 annually are then forwarded to the administrative office for recording and deposit. This process takes a minimum of two weeks and on occasion two months. OMB Circular Letter 94-24 requires that funds be deposited and recorded on the NJCFS on the same day as received. The risk of loss or misuse of funds would be reduced if collections of cost-of-supervision receipts were deposited in a timely manner. This condition has been previously reported.

Recommendation

Money orders should be deposited by the regions the same day they are received in accordance with OMB Circular Letter 94-24.

Auditee’s Response

The program intensive supervision officers, who spend most of their time in the field, have the responsibility to collect money orders from program participants. Experience has shown that this collection method results in a better collection rate as opposed to relying on direct mail-ins from the participants.

We have instituted a procedure whereby the money orders are batched twice weekly at each of the regional offices located around the state. Each batch is then sent by messenger service to Trenton or the nearest vicinage probation department. Deposits are then logged, verified to logs supplied by the regional offices along with the money orders, and prepared for immediate deposit. Deposits will be checked to the logs on a regular basis to ensure that they are made on a timely basis.
State probation department employees should be paid on a supplemental payroll for ISP assessments and all applicable deductions should be made.

ISP Consultants

Prior to the Judicial Unification Act, the ISP program utilized county probation department employees as ISP consultants to perform the same duties as the ISP officers (i.e., performing assessments of ISP applicants). These consultants were treated as independent contractors. Upon unification, the probation department employees became employees of the state and no longer meet the Internal Revenue Service’s definition of consultant/independent contractor. The program continues to utilize these employees as ISP consultants and pays them from the Medical/Nurses/Therapy Consultant account instead of compensating them as employees on a supplemental payroll. Our tests disclosed that less than 25 percent of the $150,000 paid to the employees incorrectly classified as consultants was reported as income and subjected to New Jersey Gross Income Tax. If the consultants were properly classified as employees and reported on form W-2, nearly 100 percent of the income would be taxable.

Recommendation

We recommend that these employees be compensated as such, with charges to the proper salary account and all applicable deductions made.

Auditee’s Response

The payment of probation officers (PO) as consultants was a practice that had been in place since they were paid by county government prior to state unification of the courts. POs were paid a flat rate per report thus obviating the need to monitor hours worked in performing the assessment reports.

We have taken into consideration the IRS guidelines as per OMB Circular Letter 97-18 as well as F.L.S.A. legal requirements governing compensation for nonexempt employees such as probation officers. Effective April 11, 1998 those employees will no longer be paid as consultants, but will be paid for all work on an hourly basis.