The Judiciary
Administrative Office of the Courts
Judiciary Special Civil Fund,
Judiciary Probation Fund and
Judiciary Superior Court-Miscellaneous Fund

July 1, 1998 to March 31, 1999

Richard L. Fair
State Auditor
The Honorable Christine Todd Whitman  
Governor of New Jersey

The Honorable Deborah T. Poritz  
Chief Justice of the Supreme Court

The Honorable Donald T. DiFrancesco  
President of the Senate

The Honorable Jack Collins  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
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If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
May 4, 1999
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Scope

We have completed an audit of the Judiciary, Administrative Office of the Courts (AOC), Judiciary Special Civil Fund, Judiciary Probation Fund and Judiciary Superior Court-Miscellaneous Fund for the period July 1, 1998 through March 31, 1999. Our audit included financial activities accounted for in the AOC, Judiciary Cash Control Unit (JCCU) relative to the receipt and processing of revenue collected at the 15 vicinages and the Attorney Collateral Account.

The prime function of the Judiciary Special Civil Fund is to serve as a repository for the collection and disbursement of funds collected by the Special Civil Part of the Superior Court of New Jersey. The Judiciary Probation Fund serves as a repository for the collection and disbursement of court imposed financial obligations associated with the statewide probation function. The Judiciary Superior Court-Miscellaneous Fund serves as a repository for the collection and disbursement of various fees, fines, and costs collected by court divisions of the Superior Court of New Jersey. Total receipts of the Judiciary Special Civil Fund, Judiciary Probation Fund, and the Judiciary Superior Court-Miscellaneous Fund during the nine-month audit period averaged approximately $2.1 million, $2.1 million, and $3.0 million per month, respectively.

The purpose of the Office of the Clerk of the Superior Court, Attorney Collateral Account is to ease the burden of cash transactions between attorneys and the clerk’s office for services rendered. This account had monthly activity of $1.4 million during our nine-month audit period.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the funds, 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, *Rules Governing the Courts of the State of New Jersey*, 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 reviewed financial trends and interviewed agency personnel to obtain an understanding of the funds and 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 transactions were judgmentally selected.

**Conclusions**

We found that the financial transactions included in our testing were related to the funds, were reasonable and were recorded properly in the accounting systems. In making this determination, we noted certain matters meriting management’s attention.
The state could earn additional interest by depositing daily.

The Attorney Collateral Account eases the burden of cash transactions between attorneys and the Office of the Clerk of the Superior Court. There are 1,400 attorney accounts disbursing $1.4 million each month. Attorneys may keep monies on deposit against which charges for services rendered may be applied. The Office of the Clerk of the Superior Court maintains the account in accordance with N.J.S.A. 22a: 4-15. Monthly statements are sent to attorneys giving a detail of their charges and new balance.

The statute requires that the prior month’s charges be deposited into the General Fund by the tenth day of the following month. We noted that the clerk’s office could increase the revenue earned for the General Fund by $57,000 a year by depositing their charges daily instead of monthly.

This attorney account has a $2.2 million balance in a noninterest bearing bank account. If placed in an interest bearing account, approximately $100,000 a year in interest could be earned. The interest earned could help pay for the maintenance of the attorney account. The Office of the Clerk of the Superior Court is currently seeking an Attorney General’s opinion on the subject.

We recommend transfers to the General Fund be made daily and the Attorney Collateral Account earn interest.

It is agreed that the transfer of funds from the Attorney Collateral should be more frequent than the monthly statutory requirement. Taking into consideration the daily reconciliation process to ensure proper accounting of the fees, the Clerk of the Superior Court’s Office will make weekly deposits to the General Fund.

The Clerk of the Superior Court is requesting a legal opinion regarding whether the Attorney Collateral Account interest earnings may be used to defray expenses.
Monthly Reconciliations

Proper reconciliations are needed for the account payable systems.

The AOC, Judiciary Cash Control Unit performs the financial monitoring of the three Judiciary agency funds within our scope. The JCCU does a monthly reconciliation of the monies deposited in the bank to the amount recorded on the New Jersey Comprehensive Financial System (NJCFs). The JCCU notifies the counties when errors occur in postings to the NJCFS or depositing to the bank.

In our review of the Judiciary Special Civil Fund and the Judiciary Probation Fund, we noted that the JCCU does not reconcile NJCFS to the Automated Case Management System (ACMS) or the Comprehensive Automated Probation System (CAPS), respectively. These systems maintain the information which represents the liabilities of the fund and should be reconciled to the cash available to pay these liabilities. Neither the ACMS or CAPS produce monthly balance reports that would enable the JCCU to perform these reconciliations.

Recommendation

We recommend the AOC perform monthly reconciliations of ACMS and CAPS to available funds.

Auditee’s Response

The AOC’s JCCU is responsible for the monthly reconciliation between the New Jersey Comprehensive Financial System (NJCFS) and the bank for each of these Funds. Each vicinage is responsible for its portion of the Special Civil and Probation Fund and the reconciliation of liabilities in the Automated Cash Management System (ACMS) and the Comprehensive Automated Probation System (CAPS) to NJCFS. In conjunction with the Conference of Vicinage Finance Division Managers, the AOC is developing the reconciliation procedures for each Fund and plans to roll out the process over the course of the next year. It is understood that enhancements to the automated systems are needed in order to facilitate the reconciliation process.