

FINANCIAL EXAMINATION AND RECORD-KEEPING PROCEDURES FOR SPECIAL CIVIL PART OFFICERS

Directive 4-03
(Supersedes 7-01)
Issued by:

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Administrative Director

This directive, promulgated pursuant to *Rule* 6:12-3, sets forth the financial examination requirements and procedures in connection with the execution of Special Civil Part writs by Special Civil Part Officers. It supersedes any and all previously existing directives on the subject.

I. Records to be Maintained by Special Civil Part Officers Executing Writs

Special Civil Part Officers serving executions shall maintain the following records: checkbook, bank deposit records, cash book, ledger, writ register, and receipt book. Details of the format of these records are set forth in Attachment A. Special attention should be paid to timely maintenance of an index of all cases assigned to a Special Civil Part Officer. A sample format is contained in Attachment B.

II. Status Reports

Except in those counties using the ACMS Post-Judgment System, status reports monitoring the progress of collections for outstanding chattel and wage executions shall be submitted by the Special Civil Part Officer to the Special Civil Part Clerk/Manager in the following manner. Three times a year, at three-month intervals from the date of the officer's most recent financial examination report, the Clerk/Manager shall furnish to the officer a list of outstanding wage and chattel executions selected at random from the central writ register. The number of executions on the list should be 5% of the outstanding writs assigned to that Special Civil Part Officer, up to a maximum of 50. The list should include the docket and writ numbers, the amount of the writ, and the date assigned to the officer. The Special Civil Part Officer shall report, in writing, the amounts collected and outstanding to date for each execution on the list. The status reports shall also be submitted to the Vicinage Finance Manager for informational purposes.

III. Records to be Maintained and Procedures to be Followed by Special Civil Part Clerks/Managers

In order to provide a reliable audit trail, the Special Civil Part Clerk/Manager shall maintain a Central Writ Register that may be either in the form of a master list maintained chronologically or an individual list maintained chronologically of writs assigned to each Special Civil Part Officer. A sample format for individual listings by officer is contained in Attachment C. The central writ register shall contain:

- C date of the writ;
- C writ number -- this number shall be assigned by the Special Civil Part Clerk/Manager in sequence. For example, the writ numbers in Attachment C indicate that writs 210, 212, 214 and 216 were assigned to one officer. Writs 211, 213 and 215 will be shown on the sheet maintained for other officers;
- C docket number of the case;
- C nature of the writ;
- C name of the case;
- C amount of the writ;
- C date writ distributed to officer;
- C date writ returned from officer;
- amount collected by the officer; and
- C whether the writ is fully satisfied, partially satisfied, or unsatisfied.

| The last three items are completed when a return is made by the Special Civil Part Officer.

IV. Special Instructions

Except in those counties using the ACMS Post-Judgment System, all writs issued by the Special Civil Part Clerk/Manager should contain instructions to the judgment debtor to make all checks payable to the Special Civil Part Officer whose name appears on the writ and to note the name of the case and the docket number on the face of the check. In those counties using the ACMS Post-Judgment System, checks shall be made payable to the payee designation shown on the writ.

V. Financial Examination Procedures

An annual examination of the Special Civil Part Officer's financial records shall be conducted in accordance with Statement of Auditing Standards #75 - Agreed Upon Procedures. Statement of Auditing Procedures #75 is contained in Generally Accepted Auditing Standards, which is an authoritative document produced by the American Institute of Certified Public Accountants. The following procedures apply in those counties that do not use the ACMS Post-Judgment System. Individual

officer examinations are not required in those counties where the ACMS Post-Judgment System is used.

A. Frequency

Financial examinations shall be conducted for a one-year period beginning and ending on dates determined by the Trial Court Administrator in conjunction with the Vicinage Finance Manager.

B. Selection

The auditing firm for each Special Civil Part Officers in the vicinage shall be designated by the Officer. The firm shall be either a certified public accountant or a registered municipal accountant and must agree to conduct the examination pursuant to the procedures set forth in Attachment A. Before engaging the firm to conduct the examination, the Officer shall submit the firm=s name and qualifications to the Trial Court Administrator in conjunction with the Vicinage Finance Manager for review and approval.

C. Scope of Examination, Use of Central Writ Register, Acceptance of Report

The examination should reflect all writs assigned to the Special Civil Part Officer for the examination period. The Central Writ Register should be the starting point for the examination and should be compared to the ledger index maintained by the Special Civil Part Officer to ensure that all writs assigned to that officer are included in the examination. Acceptance of the examination report by the Trial Court Administrator, in conjunction with the Vicinage Finance Manager, and by the Chief of Internal Audit is contingent upon the report's compliance with the procedures set forth in this Directive. If the report is not accepted, the Officer shall, with guidance from the Trial Court Administrator (in conjunction with the Vicinage Finance Manager) and the Chief of Internal Audit, submit a revised report that is acceptable within 60 days.

D. Letters of Verification

Letters of verification shall be mailed by the auditing firm to a sample of judgment debtors, creditors, and garnishees. A sample letter is contained in Attachment D. Because the number of verification letters will affect the cost of the examination, the Trial Court Administrator in conjunction with the Internal Audit Unit and the Vicinage Finance Manager will, consistent with generally accepted auditing standards, determine the number of letters to be sent after consultation with the auditing firm.

VI. Cost of Financial Examination

The cost of each financial examination shall be borne by each Special Civil Part Officer. The officer is responsible for entering into an agreement with the auditing firm and for prompt payment of the firm's fee.

VII. Amount of Bond

All Special Civil Part Officers executing writs shall be required to obtain a surety bond, upon and for one year following appointment and at their expense, in the amount of \$50,000 to indemnify creditors in the event of loss or misuse of funds. Thereafter, a bond for three times the amount of the Special Civil Part Officer's average monthly gross receipts during the preceding examination period or \$50,000, whichever is greater, shall be maintained. The amount of the bond shall be reviewed by the Trial Court Administrator in conjunction with the Vicinage Finance Manager at the end of every examination period. Proof of compliance shall be presented to the Trial Court Administrator and Vicinage Finance Manager in each financial examination report or, in those counties using the ACMS Post-Judgment System, on the anniversary of the Special Civil Part Officer's appointment.

This directive should be distributed to all Special Civil Part Officers and appropriate personnel.

ATTACHMENT A

RECORD KEEPING AND FINANCIAL EXAMINATION REQUIREMENTS FOR SPECIAL CIVIL PART OFFICERS

1. Special Civil Part Officers Subject to Financial Examination

Except in those counties using the ACMS Post-Judgment System, all officers executing writs out of the Special Civil Part shall be subject to an examination of fiscal records, which are to be maintained as provided in this directive.

2. Records to be Maintained

Records to be maintained for purpose of an examination are check book, bank deposit record, cash book, ledger, writ register, and receipt book. Records shall be in ink or typewritten, and shall be neat, legible, and suitably bound. The required records may be maintained on a computer.

3. Trust Account

All funds collected by a Special Civil Part Officer shall be deposited at least weekly in a non-interest bearing checking trust account in a bank authorized to do business in this State. The officer shall replenish any service fees charged to the account by the bank within 30 days. Official collections shall be deposited to said account, and they shall not be co-mingled with personal funds except for fees earned by the officer. There shall be a schedule of fees assessed by each officer. Deposits shall consist of the exact amount of collections and replenishments of bank fees. Official collections, less fees earned, shall be paid over by check to the judgment creditor or his/her attorney at least monthly, unless such attorney or judgment creditor consents, in writing, to a longer period.

4. Check Book

A check book with pre-numbered checks and stubs, or the computerized equivalent, shall be maintained in such manner that it can be reconciled monthly with the bank statement. There shall be a preparation of a bank reconciliation between book activity and bank activity.

5. Cash Book

The cash book shall be bound, except where posting by computer, typewriter and/or loose-leaf system is allowed by permission of the Trial Court Administrator, and shall have pre-numbered pages. In it shall be recorded every item of receipts

and disbursements. The left-hand page or automated equivalent shall be used for cash received and the right-hand page for cash disbursed. The "Cash Received" page shall have columns for "Gross", "Fees", and "Trust", or similar designations. The items collected shall agree with deposits shown on the bank statement. The "Cash Disbursed" page shall have columns with similar designations. All columns shall be footed and cross-footed at least monthly, and the difference between the two gross columns shall reconcile with the bank balance. The cash book shall be the book of original entry. There shall be a preparation of a trial balance of active judgments for each officer.

6. Ledger

The ledger may be kept on a computer and shall contain an account for each case in which moneys are collected. Such account shall show the name of the judgment debtor, title of case and court, docket number, the name and address of the garnishees, if any, as well as the name and address of the attorney or person to whom remittances are to be made. The ledger account shall show the total due to the judgment creditor, the fees to which the officer is entitled, and the total amount due from the debtor. All credits shall be shown in detail and posted from the cash book. The account shall be kept in such manner that all details appear without the necessity of oral explanation. Ledger accounts shall be kept alphabetically or numerically and indexed. There shall be a preparation of a trial balance of active judgments for each officer.

7. Receipt Book

The Special Civil Part Officer shall maintain a receipt book with original and duplicate pre-numbered receipts. Receipts shall indicate from whom the money was received, the title of the case, and the docket number. The amount received shall be indicated in words at length as well as in figures, and cash receipts shall show the balance remaining due in figures. Receipts need only be issued for cash payments. Voided receipts issued for cash must be retained in the receipt book.

8. Writ Register

The Special Civil Part Officer shall keep a record to be known as a "Writ Register" in which he/she shall record, in the order received by him/her, every writ of execution issued to him/her by any court. The record shall show the following: title of case and docket number, court, nature of writ, date writ issued, date received, amount to be collected, return date of writ, date actually returned, and remarks.

9. Financial Examination

The financial examination of any Special Civil Part Officer executing writs shall, at the expense of such officer, be made by a certified public accountant or registered municipal accountant selected by the Officer. The examination shall be conducted for a one-year period. The examination report and a report of monthly cash receipts and disbursements for a one-year period shall be provided to the Officer and copies shall be filed by the auditing firm with the Trial Court Administrator, Vicinage Finance Manager, Administrative Director, and the Internal Audit Unit. The report shall include the amount of fees payable to the court officers. The auditing firm will utilize the Central Writ Register maintained by the office of the Special Civil Part Clerk/Manager for the purpose of determining the specific writs that should be the subject of the examination for any given period. The report shall include a statement that the officer has met the requirements of this Directive or it shall indicate the ways in which the officer has not met these requirements.

The persons conducting the examination may make inquiry into all writs held for execution by such officer, whether issued out of the Special Civil Part of that county or out of another county; shall communicate directly with a representative sample of judgment creditors and debtors to verify payments of balance on such writs, and shall have access to any other books and records of the Clerk/Manager of the Special Civil Part to the extent required for the examination. The auditing firm's working papers shall be made available to the Internal Audit Unit of the Administrative Office of the Courts upon request.

ATTACHMENT B

SAMPLE FORMAT

**SPECIAL CIVIL PART OFFICER (Name)
ALPHABETICAL LEDGER INDEX**

<u>Date</u>	<u>Writ Number</u> *	<u>Docket Number</u>	<u>Defendant</u>	<u>Ledger Number</u> **	<u>Total Receivable</u>
1/15/98	W-210	DC-123-97	John Smith	L-14	\$ 2,120.00

* Writ number to be provided by Special Civil Part Clerk.

** Ledger number to be provided by the Special Civil Part Officer. In the above sample, the writ is the 210th writ assigned by the Clerk; it is the 14th writ assigned to this officer.

ATTACHMENT C

**CENTRAL OFFICE WRIT REGISTER
(Suggested Format)**

Special Civil Part Officer Baker

<u>Date of Entry</u>	<u>Writ Numb er</u>	<u>Docket Number</u>	<u>Nature of Writ*</u>	<u>Title of Case</u>	<u>Amount</u>	<u>Date Writ Given to Officer</u>	<u>Date Returned from Officer</u>	<u>F-P-U**</u>
1/5/98	210	DC-123-97	WG	Paterson Hardware vs. John Smith	\$2,120.00	1/6		
1/6/98	212	DC-456-97	WG	Passaic Distribution vs. Frank Rogers	740.00	1/7		
1/7/98	214	DC-789-97	WG	Main Liquors vs. Joe Bowry	65.00	1/8		
1/10/98	216	DC-1234-97	G & C	Clifton Grocery vs. Mike Young		1/11		

* WG - wage garnishee
G & C - goods and chattels

** F - fully satisfied
P - partially satisfied
U - unsatisfied

ATTACHMENT D

**EXAMPLE CONFIRMATION FORM LETTER TO BE SENT BY
AUDITING FIRM TO JUDGMENT DEBTORS AND/OR CREDITORS**

Date

(Plaintiff's or Defendant's Name)

(Address)

Dear

In connection with an examination of the financial records of _____, as an officer of the _____ Special Civil Part, please confirm directly to our auditing firm (insert name and address of firm) the following judgment information as of (insert date).

Title of Case: _____

Docket Number: _____

Amount of judgment plus interest and costs: \$ _____

Payments made through (insert date) \$ _____

Unpaid balance of judgment as of (insert date) \$ _____

If the information shown is in agreement with your records at that date, no response is required.

If the amount is not in agreement with your records, please note the amount shown in your records and any information which may help reconcile the difference and send it directly to our auditors in the enclosed envelope.

This correspondence is a request for confirmation of recorded information only and is not a request for payment. Payments should not be sent to the auditing firm.*

Very truly yours,

(Signature of Trial Court Administrator)

The above stated information is correct as of (insert date) with the following exceptions (if any):

(Signed by)

(Date)

* NOTE: This paragraph should be deleted when letter is being sent to judgment creditor or his/her attorney.