

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

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**Department of Corrections  
Mid-State Correctional Facility**

July 1, 2004 to May 31, 2006

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**Richard L. Fair  
State Auditor**

2004-2005

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The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Corrections, Mid-State Prison for the period of July 1, 2004 to May 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

  
James B. Patterson  
Assistant State Auditor  
July 21, 2006

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**Department of Corrections  
Mid-State Correctional Facility**

***Scope***

We have completed an audit of the Department of Corrections (DOC), Mid-State Correctional Facility (MSCF) for the period July 1, 2004 to May 31, 2006. The audit included financial activities accounted for in the state's General Fund. With the exception of inmate obligations accounted for in the Inmate Trust Fund, we did not review the activities of the non-appropriated funds administered by the facility. These funds are reviewed by the Internal Audit Unit of the DOC. Annual expenditures of the MSCF approximate \$23 million. Medical expenses which totaled \$2.4 million in fiscal year 2005 were also excluded from this review.

The MSCF is one of 14 major institutions of the DOC. The mission of the Department of Corrections is to ensure that all persons committed to the state correctional institutions are confined with the level of custody necessary to protect the public and that they are provided with care, discipline, training, and treatment needed to prepare them for reintegration into the community.

***Objectives***

The objectives of our audit were to determine whether expenditure 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, observation, and through our samples of expenditure transactions. We also read the budget message, reviewed financial trends, and interviewed agency personnel to obtain an understanding of the programs and internal controls.

A nonstatistical sampling approach was used. Our samples of expenditure transactions were designed to provide conclusions about the validity of transactions as well as internal control and compliance attributes. Transactions were judgmentally selected for testing.

***Conclusions***

We found that expenditure 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 meriting management's attention.

## Internal Controls - Payroll

**Incompatible duties in payroll should be segregated.**

Management is responsible for establishing and enforcing internal controls that safeguard assets from loss or irregularity. Proper segregation of duties over payroll processing and paycheck distribution functions is necessary to assure disbursements are proper and accurate. Currently, conditions exist which weaken this assurance and could lead to the misstatement of payroll records and the payment of unearned wages.

The Department of Corrections Human Resources Office (Region 1) is responsible for 1462 employees including 272 MSCF staff. Three individuals in this office who have the ability to edit employee pay time on the Time and Leave Reporting System (TALRS) which generates paychecks also initially receive the paychecks for distribution. Individuals having access to payroll input data should not receive the paychecks.

Timekeeping is decentralized and assigned to employees of each correctional facility. Seven timekeepers are responsible for inputting leave time and overtime for MSCF non-custody staff into TALRS. Five of these timekeepers also receive and distribute paychecks. These functions should be performed by different individuals. In addition, two of the timekeepers have the ability to edit their own pay time on TALRS which could lead to undetected discrepancies.

Time and attendance for custody employees is maintained on TimePoint which is a scheduling application within the Corrections Management Information System. On a daily basis, TimePoint interfaces with TALRS to update time and attendance records. Employee records in TimePoint cannot be adjusted after the daily interface with TALRS is completed unless a supervisor unlocks the system for edit. A manual

adjustment to TALRS would then be required to ensure both systems are in agreement and the proper payments are made. Our review of this process found that all 17 individuals who have the ability to input employee leave time and overtime into TimePoint can also access and edit their own time. They include three supervisors who can unlock the system and authorize changes. Furthermore, six of the 17 employees can also access and edit their own pay time on TALRS. They include two supervisors who can authorize changes to TimePoint. In addition, all 17 employees have access to pay checks which are placed in a centrally located box for distribution.

***Recommendation***

We recommend that payroll checks be received and distributed by someone not involved in payroll processing. We further recommend that timekeeping responsibilities for all individuals involved in payroll processing be assigned to another TALRS reporting unit and that their access privileges be restricted. This would prohibit access to their own records within TALRS or TimePoint.

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**Purchasing**

**Purchasing procedures need to be improved.**

In accordance with Department of the Treasury, Circular Letter 00-13-DPP, a Delegated Purchasing Authority (DPA) purchase is defined as a non-recurring, one-time purchase transaction that cannot be procured through a state contract, the state Distribution and Support Services Center (DSS), the Bureau of State Use Industries (Deptcor), or the Central Non-profit agency (CNA). The circular requires telephone quotations for DPA purchases over \$500 and up to \$12,500. Our review noted that the agency purchased commissary items via DPA from a vendor who had a state contract. This resulted in overpayments of \$5,400 in fiscal year 2005 as the

agency paid retail prices instead of the discounted state contract price. In addition, there was no evidence that the required telephone quotations for DPA purchases were obtained.

***Recommendation***

We recommend that MSCF management comply with Treasury Circular Letter 06-06-DPP, which has superseded Circular Letter 00-13-DPP. In addition, management should seek recovery from the vendor.

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## State of New Jersey

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*Acting Commissioner*

July 21, 2006

Richard L. Fair, State Auditor  
Office of Legislative Services  
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Dear Mr. Fair:

I have reviewed the audit report prepared by your office summarizing the audit of the Department of Corrections Mid-State Correctional Facility for the period July 1, 2004 to May 31, 2006. I appreciate this opportunity to respond to its findings and recommendations.

### **Internal Controls – Payroll**

We are in agreement with your recommendations regarding the Time and Leave Reporting System (TALRS) and TimePoint timekeeping and scheduling systems. We will implement the following controls to strengthen our timekeeping and payroll systems:

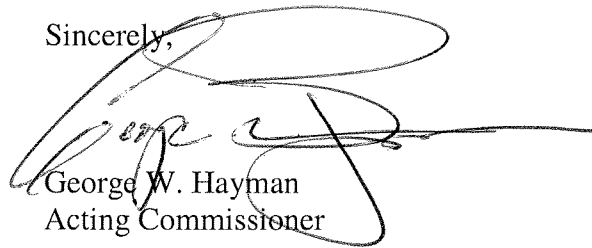
- Our Region One Human Resources Unit process the payroll for Mid-State Correctional Facility, Garden State Correctional Facility and Albert C. Wagner Youth Correctional Facility. Region One payroll staff who process payroll for one institution will receive the paychecks for a different institution.
- Human Resources Managers at all regions and the Central Office Campus were directed to ensure that someone other than the unit timekeeper receive and distribute checks.
- No timekeeper will have the ability to post or edit his or her own time.
- Regarding the custody time and attendance issues, Human Resources staff will process the bi-weekly verification reports for all Operations Unit staff members to ensure that time has been posted accurately and no changes have been made by any Operations unit employee. TALRS access will be changed to “view only” for the six employees who have TimePoint and TALRS access.

**Purchasing**

We agree with your purchasing recommendation. Our Division of Administration has also prepared and distributed a procurement directive for use when purchasing goods and services off contract. Strict adherence to the department's purchasing directive and the Treasury Circular Letter 06-06-DPP should provide complete compliance in the future. The institution's business manager has already contacted the vendor to recover the overpayment.

In closing, I would like to thank your audit staff for their continued diligent work and cogent recommendations.

Sincerely,



George W. Hayman  
Acting Commissioner

GWH:BTH:rw

c: Charles Ellis, Chief of Staff  
Peter T. Roselli, Assistant Commissioner  
Carmella M. Elmer, Director  
Craig Stevens, Director  
John Robertshaw, Administrator