



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

**Department of Corrections
Riverfront State Prison**

July 1, 2004 to December 15, 2005

**Richard L. Fair
State Auditor**

2004-2005

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New Jersey State Legislature

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Governor of New Jersey

The Honorable Richard J. Codey
President of the Senate

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

Mr. Albert Porroni
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Enclosed is our report on the audit of the Department of Corrections, Riverfront State Prison for the period of July 1, 2004 to December 15, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in cursive script, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
February 27, 2006

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Department of Corrections Riverfront State Prison

Scope

We have completed an audit of the Department of Corrections, Riverfront State Prison (RFSP) for the period July 1, 2004 to December 15, 2005. Our audit included financial activities accounted for in the state's General 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 Department of Corrections.

The prime responsibility of the RFSP is to provide custody and care to inmates incarcerated at the facility. Total expenditures of the prison during the audit period were \$36 million.

Objectives

The objectives of our audit were to determine whether expenditure transactions were related to the prison's programs, were reasonable, and were recorded properly in the accounting systems. We also tested for resolution of the significant conditions noted in our prior report dated June 2, 2000.

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 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 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. Sample populations were sorted and transactions were judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the agency and walked through the system to determine if the corrective action was effective.

Conclusions

We found that the expenditure transactions included in our testing were related to the prison's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted an internal control weakness meriting management's attention.

We found that the prison had resolved all of the significant issues noted in our prior report, with the exception of purchasing controls. This issue has been restated in our current report.

Internal Controls

Purchasing controls should be improved.

Internal controls over the purchasing and receiving of goods and services at RFSP are not adequate to ensure that errors or irregularities will be detected by management. An employee can determine the need for goods/services, select the vendor, and receive the goods/services. This lack of adequate segregation of duties places a potential risk on state assets and contributes to the circumvention of Treasury regulations. Expenditures included in the scope of our review totaled \$4 million. We tested 55 transactions totaling \$443,000 and noted the following internal control weaknesses:

- Fifteen transactions totaling \$99,232 were not competitively bid per Treasury regulations.
- Eleven transactions totaling \$132,000 lacked sufficient documentation to substantiate or support hourly service payments to vendors.
- One vendor was paid \$92,000 under a waiver for maintenance and monitoring of alarm systems. Our review disclosed that \$48,000 was not for maintenance and should have been competitively bid.
- Purchasing requests are not always directed to the business office for processing as required by RFSP policy.
- Items received are not always inventoried. Conversations with prison staff and observations disclosed that no inventory is completed on orders received. We also found that not all orders are directed to the storeroom prior to distribution or payment processing as required by RFSP policy.

We also reviewed P-Card usage for fiscal year 2005 which amounted to \$102,000. We found 44 percent of the 34 sampled transactions should have been competitively bid or purchased using a contracted vendor.

Recommendation

We recommend that management establish procedures that delegate the purchasing responsibility to the business office for all goods and services. We also recommend that RFSP comply fully with Treasury and RFSP policies and procedures when procuring goods and services.

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JON S. CORZINE
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GEORGE W. HAYMAN
Acting Commissioner

February 24, 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 Riverfront State Prison for the period July 1, 2004 to December 15, 2005. I appreciate this opportunity to respond to its findings and recommendations.

Internal Controls - Purchasing

Fifteen transactions totaling \$99,232 were not competitively bid.

We are in agreement that transactions should be bid in accordance with Treasury regulations. We do have two points concerning this finding we would like to present and in our opinion would change the finding to ten transactions totaling \$39,962. 1) Two of the transactions totaling \$28,670 were to a specific vendor due to warranty requirements. The manufacturer also subsequently reimbursed the facility \$19,900 for the defective equipment. 2) There are three transactions totaling \$30,600 which are also included in the third audit finding as transactions not competitively bid.

Eleven transactions totaling \$132,000 lacked sufficient documentation to support the hours billed.

The facility is in agreement with the finding and has discussed this control weakness with all staff involved in the procurement process to assure that sufficient documentation is obtained in the future. A procedure has been developed and a contractor logbook has been installed in the main lobby to record all contractor names, time in and time out.

\$48,000 of \$92,000 paid to one vendor under a waiver for maintenance and monitoring of alarm systems should have been competitively bid.

The services provided by the vendor were reviewed again and we are still of the opinion \$21,653 of the payments were for maintaining the system and were not improvements. We do agree the remaining \$26,347 represents improvements and should not have been procured under the waiver. The Business Manager will contact the Division of Purchase and Property to discuss what is and is not covered under

the maintenance waiver. In the future Management at RSP will assure that purchases are consistent with the intent of the waiver.

Purchasing requests are not always directed to the business office for processing as required by RFSP policy.

Management agrees with this finding. At times the department heads will place a confirming order with a vendor in order to expedite the purchasing process. This control weakness will be discussed at their next department heads meeting. Department heads will be directed to submit approved purchase requests to the Business Office and the Business Office will generate the purchase order. The DOC Central Office will further strengthen the purchasing procedures at all institutions by developing a department wide purchasing directive. The directive will address the need for the appropriate segregation of duties and provide consistency and compliance on a department wide basis.

Items received are not always inventoried.

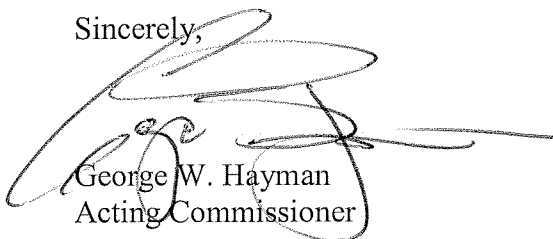
Management agrees with this finding. The facility management will address this control weakness with the appropriate subordinates to assure future compliance with the RFSP policy is attained.

P-Card usage for fiscal year 2005 was reviewed and fifteen transactions should have been competitively bid or purchased using a contract vendor.

Management agrees with this finding. The Business Manager will discuss this weakness with the Engineer-In-Charge-of-Maintenance to assure that contract vendors are used whenever possible. The Business Manager will also closely monitor the coding of all P-Card transactions to ensure the transactions are being coded properly.

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

Sincerely,



George W. Hayman
Acting Commissioner

c: Charles Ellis, Chief of Staff
Peter T. Roselli, Assistant Commissioner