

Office of the State Auditor
Audit Report
Department of Corrections
Garden State Reception And Youth
Correctional Facility
July 1, 1993 to May 31, 1995

**Department of Corrections
Garden State Reception and
Youth Correctional Facility
Audit Report**

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The Honorable Christine Todd Whitman
Governor of New Jersey

The Honorable Donald T. DiFrancesco
President of the Senate

The Honorable Jack Collins
Speaker of the General Assembly

Mr. Albert Porroni
Executive Director
Office of Legislative Services

We have completed an audit of the Department of Corrections - Garden State Reception and Youth Correctional Facility for the period July 1, 1993 to May 31, 1995.

We found that the financial transactions included in our testing were related to the department's programs, were reasonable, and were recorded properly in the accounting systems. However, we did note that internal controls should be strengthened to provide reasonable assurance that management's objectives are achieved and to reduce the risk of errors or irregularities occurring and remaining undetected in the records of the facility. We also noted areas where operating economies can be achieved by the facility. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor

Department of Corrections Garden State Reception And Youth Correctional Facility

Scope

We have completed an audit of the Department of Corrections - Garden State Reception and Youth Correctional Facility for the period July 1, 1993 to May 31, 1995. Our audit included financial activities accounted for in the state's General Fund and the facility's nonappropriated accounts.

Total General Fund expenditures of the facility during the 23 month audit period were \$80.3 million. There were no General Fund revenues during the period. The facility is part of the state's youth correctional institution complex. The facility provides for the reception and classification of all male commitments between the ages of 16 and 30 years who receive indeterminate sentences and for all males committed to the state prison.

Objectives

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

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 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 facility. 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 facility 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 selected judgmentally based upon analytical procedures and large dollar transactions were examined. Other transactions were selected randomly or based on auditor judgment.

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

Conclusions

We found that the financial transactions included in our testing were related to the facilities programs, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted that the internal control structure should be strengthened to provide reasonable assurance that management's objectives are achieved and to reduce the risk of errors or irregularities occurring and remaining undetected in the records of the facility. Our review also disclosed areas where additional operating economies can be achieved. We also found that the facility has resolved the significant issues noted in our prior report.

Details of our findings and recommendations follow.

Internal Controls - Appropriation Transactions

Finding

It is the responsibility of management to establish procedures and policies that provide reasonable assurance that the facility's objectives will be achieved and to reduce the risk of errors or wrongdoings occurring and remaining undetected in the records of the facility.

We noted the absence of procedures to segregate duties in the following areas.

APPROPRIATION EXPENDITURES - In numerous departments an employee can determine the need for goods/services, select a vendor, receive the goods/services, and initiate the accounts payable process. The facility expended \$14.9 million for goods/services during the audit period.

PAYROLL EXPENDITURES - Either one of two payroll department employees prepares the payroll register that is used by Treasury's Central Payroll unit to issue payroll checks. The same employee can receive the facility's payroll checks from Treasury's Central Payroll unit and be part of the payroll check distribution process. Our review of a payroll register noted that at any given time the register will contain approximately 20 names of employees in a zero pay status for extended periods of time, further increasing the need for duties to be segregated. The facility expended \$65.4 million for payroll transactions during the audit period.

Recommendations

We recommend that management establish procedures to segregate the purchasing, receiving and accounts payable duties within the various departments. We also recommend that the duties of preparing the payroll register be segregated from the duties of payroll check distribution within the payroll department.

Internal Controls - Nonappropriated Transactions

Finding

The facility maintains various accounts for the inmates' benefit. These accounts are needed for the inmates to purchase goods or services, to provide general welfare needs to the inmate population, and to provide job opportunities. Our review of these accounts noted that management needs to strengthen the control structure by segregating duties in the area of procurement and expenditure, and establish procedures to evaluate operating results. The following chart shows the account and noted control weakness.

<u>INTERNAL CONTROL</u> <u>WEAKNESS</u>	<u>INMATES'</u> <u>STORE</u>	<u>WOODWORKING</u> <u>ACCOUNT</u>	<u>ACCOUNT</u> <u>UPHOLSTERY</u> <u>ACCOUNT</u>	<u>WELFARE</u> <u>ACCOUNT</u>
Duties Not Segregated in the Procurement and Expenditure Areas	X	X	X	X
No Procedures by Management to Evaluate the Results Of Operations		X	X	

It is the responsibility of management to establish procedures and policies that provide reasonable assurance that the facility's objectives will be achieved and to reduce the risk of errors or irregularities occurring and remaining undetected in the records of the facility.

Recommendations

We recommend that management establish procedures to segregate the procurement and expenditure duties within the various nonappropriated accounts. We also recommend that management establish procedures to evaluate the results of operations.

Operational Costs

Finding

Our review of the operating costs at the facility noted that overall costs are in line with similar facilities. However, we did note the following areas where additional economies can be achieved.

C Custody personnel each receive one-half hour per day in overtime compensation for what the union contracts consider meal time breaks. We noted, however, the administration actually uses this time as overlap in shifts by direct custody personnel. One can not leave his/her post until relieved by an incoming officer. While reviewing the "post trick" analysis and daily work schedules, which show the various job coverages, we noted 112 positions filled by correction officers who are not replaced by an incoming shift. This equates to 56 overtime hours per day being paid to workers whose duty posts are not relieved by incoming personnel. Because the Department of Corrections is restricted by a current union contract, we estimate unnecessary overtime pay for the 112 positions to be approximately \$613,000 per year.

C The facility expends \$ 3.4 million per year in medical costs for inmates. Cost savings or recoveries in the following areas can be achieved:

Initiating an inmate co-payment for medical and pharmacy services.

Establishing procedures to recover medical costs from medical insurance coverage that has the inmate as a beneficiary.

Selling nonprescription items at the inmates' store.

Utilizing local pharmacy facilities to meet the needs of the facility, thus eliminating staffing costs of ordering, filling, and safeguarding controlled dangerous substances. This would also reduce the risk of losses due to expiration dates.

Recommendations

The key role of management is the effective and efficient operation of an entity. We noted the need for management of the facility to establish procedures that address these and other issues under an ongoing cost containment review. Such a review could substantially reduce the facility's operating costs. Specifically, we recommend that:

During future contract negotiations, consideration be given to eliminating the daily one-half hour overtime payments for custody personnel assigned to duty posts which are not relieved by incoming shift employees.

The department establish policies that foster cost containment goals (co-payments) and procedures that recover medical costs where inmates are beneficiaries of medical insurance.

The inmates' store sell nonprescription items currently issued by the pharmacy.

The department consider the utilization of local pharmacy facilities.

Time Overlap

Finding

A state employee at the Garden State Reception and Youth Correctional Facility was also a vendor providing per hour compensated personal services at the Mountainview Youth Correctional Facility. Our analysis of bi-weekly timesheets and vendor invoices revealed numerous occurrences where hours worked reported under each position overlapped. Apparently this individual was charging time to a position where they were not present and were therefore not eligible for salary reimbursement. It is essential that management at both facilities develop a timekeeping procedure that will prevent such instances of overpayment from occurring. Our review noted time overlap of 178 hours totaling \$2,919 between July 1993 and May 1995. This matter was brought to the attention of the internal affairs unit of the Department of Corrections.

Recommendations

We recommend that management at both facilities develop procedures that will verify attendance for both employees and vendors providing per hour compensated services. We also recommend that the internal affairs unit conduct an investigation and the department take appropriate disciplinary action if warranted by the investigation.