

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

**Department of Corrections
Garden State Youth
Correctional Facility**

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, Garden State Youth Facility 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 black ink, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
February 17, 2006

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**Department of Corrections
Garden State Youth
Correctional Facility**

Scope

We have completed an audit of the Department of Corrections (DOC), Garden State Youth Correctional Facility (GSYCF) for the period July 1, 2004 to December 15, 2005. The audit included financial activities accounted for in the state's General Fund. We did not review expenditures of the Inmate Welfare Fund or the commissary. The GSYCF 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 the care, discipline, training, and treatment needed to prepare them for reintegration into the community. Total expenditures of the GSYCF during fiscal year 2005 were \$46 million. The major components of expenditures were payroll and medical.

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. We also tested for resolution of the significant conditions noted in our prior report dated August 3, 1999.

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 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.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the department 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 agency'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 also found that the agency has resolved the significant conditions noted in our prior report, except for the issue concerning segregation of duties for purchasing which has been updated in our current report.

Expenditure Controls

Staffing levels in the business office should be reviewed

Our review of operations noted that staffing levels in the business office appear to be less than other similar facilities. During calendar year 2004 two employees doubled their base salaries by working overtime hours. In addition, purchasing responsibilities have been delegated to various departments at the facility. As noted in our prior report, 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. Internal controls could be strengthened with adequate segregation of duties, particularly through the assignment of the vendor solicitation responsibilities to the business office. Overtime may be reduced and segregation of duties enhanced through increased staffing in the business office.

Recommendation

We recommend management establish procedures that segregate the purchasing duties by moving the vendor selection responsibility to the business office. Staffing levels may need to be adjusted to allow for this additional function and to alleviate the excessive overtime by some of the current staff.

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JON S. CORZINE
Governor

GEORGE W. HAYMAN
Acting Commissioner

February 15, 2006

Richard L. Fair, State Auditor
Office of Legislative Services
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Fair:

I have reviewed the audit report prepared by your office summarizing the audit of the Department of Corrections Garden State Youth Correctional Facility (GSYCF) for the period July 1, 2004 to December 15, 2005. I appreciate this opportunity to respond to its findings and recommendations.

Expenditure Controls

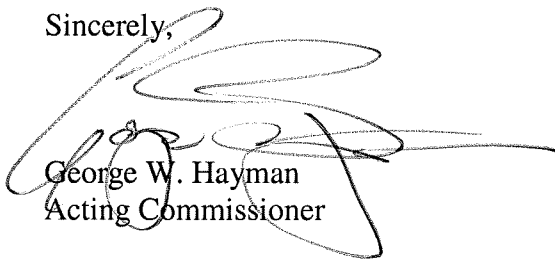
Staff overtime – The management at GSYCF was aware of the Business Office overtime, which resulted from two vacancies in their Canteen and Storeroom operations. The operation of the Inmate Canteen requires uninterrupted service delivery and is critical to maintaining harmony within the inmate population. Business office staff was asked to assist the Storeroom operation until the positions could be filled. Although the opportunity to work overtime was afforded to all Business Office staff, two individuals accepted the assignment. Attempts to fill these positions began in May 2003 and were not realized until November 2004 and January 2005 due to competing staffing considerations within the facility. The overtime was eliminated when the two storekeeper positions were filled.

Segregation of purchasing duties – The department as well as the management at GSYCF agrees with your recommendation and would like to pursue greater segregation of the procurement duties. The department will address this issue with a department wide procurement directive. The directive will address the need for the appropriate segregation of duties and provide consistency and compliance on a department wide basis. The department will give serious consideration to GSYCF's request for an additional staff person for the purchasing function. While understanding their need, the department has to be cognizant of our budget limitations as well as the other competing needs.

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

Sincerely,

A handwritten signature in black ink, appearing to read "George W. Hayman", is written over the typed name and title. The signature is fluid and somewhat stylized, with a long horizontal stroke extending to the right.

George W. Hayman
Acting Commissioner

GWH:bth

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