Department of Corrections
Administration

July 1, 2002 to August 31, 2003
The Honorable James E. McGreevey  
Governor of New Jersey  

The Honorable John O. Bennett  
President of the Senate  

The Honorable Richard J. Codey  
President of the Senate  

The Honorable Albio Sires  
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, Administration for the period July 1, 2002 to August 31, 2003. If you would like a personal briefing, please call me at (609) 292-3700.

November 26, 2003
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Scope

We have completed an audit of the Department of Corrections - Administration for the period July 1, 2002 through August 31, 2003. Our audit included financial activities accounted for in the state’s General Fund, Correctional Facilities Construction Fund, Correctional Facilities Construction Fund of 1987 and Body Armor Replacement Fund for the following organizations: Administration and Support Services, Systemwide Program Support, State Use Industries (DEPTCOR), and AgriIndustries.

Annual expenditures of the programs were $240 million. Annual revenues of the programs were $48 million and the major component was DEPTCOR sales.

The Department of Corrections is responsible for the custody, care, discipline, training and treatment of persons committed to state correctional institutions, as well as for those individuals under community supervision. The department operates thirteen prisons and one central reception facility.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the agency’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, 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 financial 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 randomly and 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 performed tests on 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 agency's programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses, matters of compliance with laws and regulations, and opportunities for cost savings meriting management’s attention. We also found the agency has resolved one of the significant issues noted in our prior report. Matters related to information technology, cash receipts, and unclaimed property have been restated in our current report.
Vocational and educational programs should be evaluated for effectiveness.

Program Evaluation

One component of the department’s mission statement is to provide vocational training and educational opportunities to inmates in order to prepare them for reintegration into the community. The department’s Business System Plan’s goals include evaluating and measuring the programmatic effectiveness of the various vocational and academic initiatives offered to inmates.

We reviewed inmate records in order to correlate the vocational and academic achievements of inmates released into the community with rates of recidivism. We found the department does not track inmate participation in these programs in a centralized database. Therefore, if released inmates return to the correctional system, there is no logical way to identify in which programs they participated during their previous incarceration period. Without this data, the department is unable to determine which of the programs and services are the most effective in rehabilitating inmates.

Recommendation

We recommend the department begin tracking this information for each offender in a central database to better determine which vocational and educational programs are most effective.

Auditee’s Response

The department agrees with the need for a central database, which would accumulate the inmate academic and vocational achievements. This database could be utilized for many purposes, one being the correlation of academic and vocational programs with rates of recidivism. The department’s Offices of Educational Services and Information Technology are currently in the planning stage of developing a system that will track inmate academic and vocational program achievements. The project includes 35 academic and enrichment programs and approximately 30 vocational programs that occur at 15 facilities. The initial step will be to create a
standardized terminology for the different programs and levels at each of our facilities. Developing a central database that captures attendance, participation, grades and scores for all educational classes remains the goal. While this will be a major undertaking and take sometime to complete, we understand it is vital to tracking and measuring the effectiveness of our programs.

DEPTCOR should market inmate labor through the federal PIE program.

Prison Industries

The department’s correctional industry program (DEPTCOR) utilizes inmate labor to produce certain goods that are purchased by state and local government entities. The department can expand DEPTCOR’s markets by obtaining a Prison Industry Enhancement (PIE) certificate.

The PIE program is a federally certified program created in 1979 to encourage state and local governments to establish employment opportunities for inmates comparable to private sector work opportunities. The program is designed to place inmates in a realistic working environment, pay them the prevailing wage, and enable them to acquire marketable skills and to increase their potential for meaningful employment upon release. This program allows prison made products to be placed in interstate commerce to the private sector or to be sold to federal agencies. Normally these activities are restricted under federal law. The PIE program allows private sector companies to embark on joint venture projects with correctional facilities and to sell inmate created products across state lines. As a condition of these competitive advantages, the inmate is paid a prevailing or minimum wage.

The program seeks to create goods and services that produce income so inmate workers can contribute to
their cost of incarceration, victim compensation, and family support which can be deducted from inmates’ wages. The program also provides meaningful work for inmates thereby reducing idleness, increasing job skills, and providing opportunity for rehabilitation.

In order for New Jersey to obtain a PIE certificate, legislation regarding inmate labor would need to be passed. Involvement of the private sector and better marketability for inmate-made goods would benefit the inmates, the industries, and the department. Most states have successfully implemented the PIE program. Many have reported a reduction in recidivism and significant monies being applied to victims’ compensation and the cost of incarceration.

Recommendation

We recommend the agency seek a change in the legislation that would permit the agency to apply for a PIE certificate.

Auditee’s Response

The department recognizes your audit recommendation to expand our prison industry program by obtaining a “Prison Industry Enhancement (PIE) certificate” as a reasonable option to pursue. It will be necessary to modify N.J.S.A. 30:4-93 to include the provisions of Title 18 United States code 1761 (c) (3) Contracts for Labor and Products. We did make this recommendation as part of our department’s legislative initiatives during the first several months of the McGreevey administration, and plan to raise it again for further consideration.

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Accounts Receivable

According to N.J.S.A. 2C:43-3.3, any person convicted of a crime on or after January 9, 1997 is to be assessed a mandatory $30 penalty for each offense. This penalty is not discretionary and the standard language on every Judgement of Conviction (JOC) document makes the penalty applicable to...

Assessments of $1.4 million are unrecorded.
every person convicted of an offense since 1997. These monies are to be deposited into the Law Enforcement Officers Training and Equipment Fund (LEOTEF). We noted the penalty is not recorded by the department unless the $30 is specifically marked on the JOC by the Administrative Office of the Courts (AOC). From January 9, 1997 to July 29, 2003, approximately 26,000 inmates were convicted of more than 63,000 offenses. Only 28 percent of these offenses were assessed the mandatory $30 penalty. We estimate the department has not recorded $1.4 million in penalties on inmate records.

**Recommendation**

We recommend the department and the AOC ensure all applicable LEOTEF penalties assessed since 1997 are properly recorded in inmate accounts.

**Auditee’s Response**

We are working with the Administrative Office of the Courts (AOC) to ensure the Law Enforcement Officers Training and Equipment Fund (LEOTEF) penalties assessed since 1997 are properly recorded in inmate accounts. Our Central Office Revenue Unit (CORU) has requested a report from our Office of Information Technology that will identify all offenders convicted January 9, 1997 or later which have no LEOTEF obligations established in our system. The report will be submitted to the current AOC Director, requesting an amended Judgment of Conviction (JOC) for all offenders listed on the report. We are also requesting that all Superior Court Judges be instructed to ensure that future JOCs include the LEOTEF assessment. All JOCs received after October 15, 2003 that do not include this obligation are being returned for amendment.

**Cash Receipts**

The Central Office Revenue Unit (CORU) is responsible for ensuring that funds collected by local parole offices from parolees are properly recorded in
the state accounting system. Currently, the parole offices collect fines, penalties and restitution from parolees and post them to the department’s offender management system known as TAG before depositing the funds into a state bank account. Upon receipt of the deposit slips from the parole offices, CORU records the cash receipt document on the state accounting system. The transactions posted to TAG by the parole offices are summarized monthly and used by CORU to allocate the funds to various accounts.

Currently, CORU cannot independently determine if the amounts allocated each month agree with the amounts deposited because the parole offices are not sending deposit slips to CORU on a timely basis. One office had not forwarded any deposit slips during fiscal year 2003. This condition increases the likelihood of deposit and posting errors not being detected.

**Recommendation**

We recommend the department require the parole offices to forward deposit slips to CORU at least monthly, and those deposit slips be reconciled against the monthly TAG summary report.

**Auditee’s Response**

All Parole Office staff have received procedures regarding the depositing of funds and generating of monthly report. The submission of deposit slips to the CORU has been accelerated to weekly rather than monthly. The CORU staff is also maintaining worksheets, which reconcile the amounts deposited to the iTAG accounting system to the new Jersey Comprehensive Financial System on a monthly basis.
Programmers should not have access to production data.

During the process of converting records to the new TAG application in November 1999, Department of Corrections programmers were permitted access to the production database due to the many technical issues that arose. However, during our audit period we noted the programmers’ access has not been rescinded. Unrestricted access by a programmer to production data is considered a fundamental control weakness.

The TAG system allows users with access to certain screens to input and change critical fines, penalties and restitutions (FPR) data such as obligation balances and names and addresses of victims without any independent review or approval. Complicating this weakness is that this access is generally not consistent or based on institution need. Our audit disclosed 200 individuals located at various institutions throughout the state have the ability to edit FPR data at their institution. Although a necessary function of the data input process, the number of people at each institution should be limited to only those in the business office. We also noted up to 2,500 people retain the ability to update beneficiary names and/or addresses, therefore, increasing the risk of an improper payment.

Recommendation

We recommend the department determine the number of users who need to update FPR data such as obligation balances and demographics. Also, programmers should not have access to production data.

Auditee’s Response

Based upon your recommendation we are re-evaluating the number of users necessary to update the fines, penalties and restitution data. In addition to your recommendation, the department’s OIT will institute the following initiatives:
• In an oracle based production system it is necessary for programmers to have the ability to access the production database. However, OIT staff will change procedures so that developer updates to production will be done through scripts using a special logon, which will provide logs for auditing purposes.

• The number of individuals that have the ability to edit the fines, penalties and restitution will be reviewed. The number will be reduced to a point that does not impede the data input process.

• To reduce the number of staff that has access to beneficiary names and addresses would require a change by the software vendor. The beneficiary information is stored in tables that are also used for visitors and emergency contacts. DOC OIT will review the feasibility of developing reports based upon journal tables that would mitigate this access.

Controls over time sheet approval should be improved.

Payroll

Civilian employees complete a biweekly time sheet as proof of their hours worked. The time sheets are signed by the employee and their supervisor. They are used by the payroll unit as the basis for the biweekly and supplemental payrolls and to post leave time taken. We noted in one unit the time sheets were approved by supervisors located at the department’s central office while the employee reported to work at a different location and no one at the employee’s location attested to the time reported. Also, within the same unit, approvals were placed on time sheets using rubber stamps. Since these stamps can be accessed by more than one person, there is no assurance that there is proper segregation of the timekeeping and approval functions. These
conditions increase the risk of an employee being paid for time not worked and of leave time not being properly deducted.

**Recommendation**

We recommend time sheets of employees who are assigned to central office and work at another location be attested to by someone at the other location. Also, the practice of using rubber stamps to approve time sheets should be discontinued.

**Auditee’s Response**

The department is in agreement with your observation regarding the approval of timesheets of employees outstationed away from their immediate supervisors at off-site location and the use of signature stamps. A policy and procedure will be developed which will require employee’s timesheets to be approved with an original signature of a designated supervisory or management person where the employee is outstationed. At the same time, we note there are situations for which no reasonable alternative exists other than off-site approval. For example, institutional Administrators are the highest-ranking employees at the institutions and report to Directors located in our central office. Having a subordinate on site approve these timesheets would be inappropriate.

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**Unclaimed Property**

Beneficiary accounts are established when a person is convicted of an offense and ordered by the court to make restitution. These orders are recorded by the Administrative Office of the Courts (AOC) on a Judgement of Conviction (JOC) and sent to the department. In accordance with the JOC, the beneficiary accounts are set up and maintained in the TAG database. As offenders make restitution payments, these amounts are deposited and grouped into a beneficiary account and disbursed periodically to beneficiaries of record. Often beneficiaries change
addresses without notifying the department and their checks are returned undeliverable. According to N.J.S.A. 46:30B-7 all property unclaimed by the owner for more than three years after it became payable or distributable is presumed abandoned.

During our last audit we noted these returned monies, and monies never sent, represented unclaimed funds and we recommended these funds be escheated to the state in accordance with the laws regarding unclaimed property.

Our current audit disclosed such disposition has not been made and that management is now using the unclaimed funds account to pay current beneficiaries. Between fiscal years 2001 and 2003, 92 percent of the restitution money collected was deposited into the current account, while 80 percent of the payments came out of the unclaimed funds account. We noted one such restitution payment in the amount of $139,000 that was deposited into the current beneficiary account, but was paid to the intended beneficiary out of the old unclaimed funds account.

**Recommendation**

We repeat our previous recommendation that the department escheat to the State Treasurer all restitution presumed abandoned in accordance with the statute.

**Auditee’s Response**

We understand the need to escheat funds to the State Treasurer. The unclaimed funds in question represent restitution payable to victims. We would like to exhaust every avenue possible before escheating these funds. We have developed a working relationship with the AOC. Utilizing their database, we are able to obtain the most current victim addresses. The addresses are returned to us, our system is updated and the restitution is resent to the victim’s current address. Once this process has been completed, any undelivered funds will be escheated as required. This process has proven to be successful, but time consuming. We are considering
including a victim information form, which could be obtained on the department’s web site. The form would be downloaded and completed by the victim and mailed to the CORU for updating the victim’s current addresses.