Department of Corrections

Selected Programs

July 1, 1995 to July 31, 1997

Richard L. Fair
State Auditor
Enclosed is our report on the audit of the Department of Corrections, Selected Programs for the period July 1, 1995 to July 31, 1997.

If you would like a personal briefing, please call me at (609) 292-3700.
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Department of Corrections
Selected Programs

Scope

We have performed an audit of the Department of Corrections, Selected Programs for the period July 1, 1995 to July 31, 1997. Our audit included financial activities accounted for in the state’s General Fund, Institutional Construction Fund, Public Purpose Buildings Construction Fund, Correctional Facilities Construction Fund, Correctional Facilities Construction Fund (1987) and Public Purpose and Community-Based Facilities Construction Fund.

The programs included in our review were:

- Division of Management and General Support
- Office of Parole and Community Programs
- Bureau of State Use Industries (DEPTCOR)
- System-Wide Program Support
- Farm Operations

Total expenditures of the selected programs during the audit period were $472 million. The prime responsibility of the Department of Corrections is protecting the public and providing for the custody, discipline, training and treatment of persons committed to state correctional institutions, on parole, or under other community supervision. Revenues of the agency totaled $83 million during our audit period. The major components of revenue were sales by state use industries and farm operations, and funds received from the State Facilities Education Fund.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the selected 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 audit, we studied legislation, executive orders, administrative codes, circular letters promulgated by the State Comptroller, and policies of the department. We performed research on current available literature. We also reviewed financial trends and interviewed agency personnel to obtain an understanding of the policies, plans and goals of the programs and 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. The sample transactions were judgmentally selected.

**Conclusions**

We found that the financial transactions included in our testing were related to the selected programs, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted certain internal control weaknesses and other matters meriting management’s attention. Significant unresolved issues noted in our prior report have been updated and restated in our current report.

In our evaluation of overtime costs we concluded that overtime, when paid for necessary post coverage, is an efficient and cost saving alternative. We did, however, identify causes and suggest recommendations the department can implement to address the unnecessary payment of overtime.

Our review of the operations for collecting inmate obligations found that the department is not doing all
it can to maximize collections. Delays in establishing an inmate obligation database and a lack of follow up in matching inmate income with required payment of obligations, have resulted in limited collections. Annual collections of inmate fines, restitutions and penalties could be increased by $1 million if our recommendations are implemented.

We identified $5.7 million of federal reimbursements that remain in program accounts that should have been credited directly to the general surplus.

We noted $1.3 million in cost savings through the elimination of unnecessary wage payments to state inmates in county facilities.

Details of these and other findings are presented in this report.
Custody Overtime

A persistent financial concern of the Department of Corrections is custodial officer overtime cost. Overtime adds about 28 percent to the $230 million the department pays in base salaries to correctional officers. Overtime costs result because of contractual guarantees and the need to staff essential posts beyond the scheduling capabilities of the available uniformed staff.

The department has implemented a computerized information system for controlling, monitoring, and reporting custody officer overtime. The department’s reported correctional officer overtime costs, excluding the juvenile institutions, were:

<table>
<thead>
<tr>
<th>Overtime Type</th>
<th>Dollars</th>
<th>Hours</th>
</tr>
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<tbody>
<tr>
<td>FY 1996</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overlap</td>
<td>$18,686,000</td>
<td>562,832</td>
</tr>
<tr>
<td>Holiday</td>
<td>10,089,000</td>
<td>303,885</td>
</tr>
<tr>
<td>Regular</td>
<td>35,774,000</td>
<td>1,077,530</td>
</tr>
<tr>
<td>Totals</td>
<td>$64,549,000</td>
<td>1,944,247</td>
</tr>
<tr>
<td>FY 1997</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overlap</td>
<td>$19,921,000</td>
<td>591,625</td>
</tr>
<tr>
<td>Holiday</td>
<td>10,413,000</td>
<td>310,336</td>
</tr>
<tr>
<td>Regular</td>
<td>39,152,000</td>
<td>1,161,698</td>
</tr>
<tr>
<td>Totals</td>
<td>$69,486,000</td>
<td>2,063,659</td>
</tr>
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The payment of overlap is the result of the contractually defined normal work schedule of 8½ hours per day (42½ hours per five day week). Since a premium rate (time and a half) is paid for all time worked beyond 40 hours in any work week, working a normal work schedule results in overlap overtime.
Holiday overtime identifies the normal hours worked during the 13 recognized state holidays. Contractually, a premium rate is paid to officers working on state holidays. In addition to receiving a premium rate for working on a holiday, all officers, whether working or not, receive eight hours added to their pay time. As explained later, this additional holiday time, although not reported as overtime or specifically compensated at a premium rate, results in the payment of regular overtime.

Regular overtime is the time officers are in pay status beyond 40 hours in any work week, excluding overlap time. Pay status includes time spent working all assigned duties such as training assignments as well as post duties. It also includes holiday, vacation, sick and administrative leave. Regular overtime is usually the result of calling in an officer to fill an assignment beyond their normal work schedule. As previously mentioned, however, it can also be the result of not being able to give an officer a day off during a holiday week.

It is actually less expensive to pay custodial officers premium rate overtime than hire additional staff.

Correctional officer staffing needs for each organization are computed using the post trick analysis. Each organization uses this planning report to determine the total custody staff required to assure the availability of uniformed officers to cover all authorized posts for each shift. An organization’s salary appropriations and filled budgeted positions, however, do not necessarily agree with post trick analysis requirements. We found that department-wide the post trick requirements exceeded the actual staffing by nearly 500 officers. As a result, many correctional facilities find that they do not always have enough correctional officers to cover their essential posts and must call in officers to work regular overtime. Over 70 percent of regular overtime can be directly attributed to correctional officer staffing below the post trick analysis requirements.
The simple solution to reducing overtime is to hire more correctional officers. Our analysis, however, finds that because of the cost of employee benefits, contractual allowances and guarantees, and the actual time an officer is at a post, it is actually less expensive to pay custodial officers premium rate overtime than hire additional staff.

The fiscal year 1996 correctional officer benefit rate, excluding the state’s share of F.I.C.A. costs, was 37.7 percent of base salary. For fiscal year 1997, this rate increased to 38.2 percent. When we consider an officer is at a post only 77 percent of the time in pay status, based on the standard post relief factor of 1.3; the state’s cost of hiring additional officers is 14 percent higher than paying premium rate overtime. To illustrate this comparison, if the DOC had the staff required to eliminate a million hours paid in regular overtime during fiscal year 1996, the total additional costs incurred by the state would have been $6 million.

The financial benefit of keeping the staff count below the post trick requirements does not stop there. Because the post trick analysis bases its staffing requirement on a standard post relief factor that estimates the average time an officer is away from his post, even when staffing equals the post trick requirement, daily fluctuations cause unpredictable use of leave time that could cause daily staff levels to either exceed or be below the planned post requirements. These daily fluctuations cause staffing swings from surplus to deficit. By keeping the staff count low, scheduling inefficiency could be eliminated because all available staff, as well as overtime staff, would only be in essential posts.

Since the custody staffing at most correctional facilities are well below the post trick requirements, the overall scheduling efficiency of the department is near 100 percent. However, at a facility where the staff
level slightly exceeded the post trick requirements, the average daily scheduling inefficiency rate during a tested period was 2 percent of the assigned staff. This rate may seem reasonable, but if projected to the entire department, it totals over $4 million in salaries.

Our reason for highlighting these financial savings is not to justify the limiting of officer staffing. Although financial effects have a part in staffing decisions, the security of the facility and the safety and well-being of the correctional officers cannot be jeopardized. An optimum staffing level, which assures these primary goals are not compromised, must be sustained. Our reason for emphasizing these findings is to point out that overtime, when paid for necessary post coverage, is actually an efficient mechanism. The goal of DOC management should not be just to reduce overtime, but rather, to address the causes that result in the ineffective or inefficient use of staff and unnecessary payment of overtime.

To their credit, DOC has initiated internal reviews in an attempt to determine these causes. The department is also well aware of some of the causes of overtime payments which it feels it has no control over. The following is our evaluation of overtime costs, its causes and possible recommendations the department can implement.

As indicated in the audit report, the Department is currently conducting an in-depth analysis of custody staffing needs ("right sizing") to determine the appropriate level of staffing to meet operational, security and public safety requirements. One of the goals of "right sizing" is to determine the optimum balance between custody staffing levels and the use of overtime considering both operational needs and relative costs.
Guaranteed extended work days resulted in $15 million in needless overtime payments.

As previously explained, overlap overtime is a result of a contractually guaranteed work schedule. The origins of the 8½ hour workday was a result of the correctional facilities need to have a half-hour overlap of shifts. This overlap is required to assure proper post coverage and a smooth transition of duties necessary to maintain security during shift changes. The problem with this generalized 8½ hour workday is that it is only needed for 17 percent of the posts.

For the remaining 83 percent of the posts, there is either no overlapping of shifts (only one shift) or the required coverage, including overlap, could be attained within an 8 hour workday. The 8½ hour workday is only necessary for 24-hour posts. As a result of the contractually defined and guaranteed 8½ hour workday, over $15 million in needless overlap overtime is annually paid to correctional officers.

The 8½ hour work schedule is a well-established negotiated guarantee in the correctional officers contracts. DOC cannot be presumed to be able to unilaterally change this policy. The recently negotiated contract, however, has taken the first steps in addressing this inefficient use of staff time and unnecessary payment of overtime. Over the course of the next two years the guaranteed daily work schedule will be reduced by 10 minutes. When fully implemented, overlap overtime will be reduced by a, a savings of over $6.2 million.

Although we concur with the reduction, the concern we have with this new agreement is that all post coverage will be affected, including the 17 percent of the posts that require overlap and those that may need a change in scheduled hours to achieve the necessary overlap. The assumption made in the new agreement is that the same security assurances attained from a 30-minute overlap can be attained in 20 minutes, without the need to incur significant incidental overtime. Further reduction or elimination of the extended
Workday hours to all officers cannot be attained unless changes in schedules are made.

**Recommendation**

We recommend that guarantees of extended workday hours be eliminated in further contract negotiations. Since some posts require overlap and others do not, not all posts will require the same number of hours of coverage. Overtime caused by the continued need to overlap shifts of selected posts, will still have to be paid to those officers covering these posts. Some posts may become more desirable than others, causing a reshuffling of staff. The department will need to deal with these issues prior to taking further steps to eliminate the extended workday hours to all officers.

**Auditee’s Response**

Guarantees of extended workday hours (the one-half hour overlap) and holiday pay granted custody personnel are required by existing union contract. Contracts are negotiated by the Governor’s Office of Employee Relations and the Department’s input and control over such negotiations is extremely limited. Resolution of this finding is contingent upon the results of future contract negotiations.

It should be noted that as a result of the most recent contract agreement, the 30 minute overlap was reduced to 25 minutes in FY 1998, and reduced to 20 minutes in FY 1999. The total savings over the remaining two years of the contract is approximately $8.0 million.

Changes in current practices could result in holiday overtime cost savings.

New Jersey Administrative Code (N.J.A.C.) 4A:6-2.4 indicates that all employees will receive pay credit for state holidays at their regular rate. N.J.A.C. 4A:3-5.8 also implies that unless a result of an emergency, an alternate day off shall be given to employees before their fixed workweek hours require a premium rate overtime pay. Limited correctional officer staffing, however, has contributed to the department’s inability
to grant time-off to half of its officers during holiday workweeks. As a result, the holiday credits awarded these officers are compensated at a premium rate. During fiscal year 1996, $9 million in reported regular overtime was a result of this holiday credit. The state paid $3 million more in wages than if all holiday credit was at the straight pay rate.

Other New Jersey state employee collective bargaining agreements contain clauses assuring holiday credit is compensated at the straight pay rate. Municipal law enforcement agreements have also established policies that eliminate the possibility of paying a premium overtime rate to officers for holiday time. The correctional officers’ agreements, however, specifically states, “For the purpose of computing overtime, all holiday hours, whether worked or not, for which an employee is compensated shall be regarded as hours worked.”

**Recommendation**

Although we do not question the propriety of these payments, we do identify this agreement clause as the cause of $9 million in reported regular overtime costs.

The department’s ability to minimize the payment of overtime caused by this clause is limited. The only control the department has is to restrict vacation and administrative leave approval during these workweeks. It should give priority to granting officers an alternate holiday day off. Although the state is just postponing a part of the overtime until the officers are allowed to use their leave, it is possible that up to half of this overtime can be saved. We recommend that the department attempt to negotiate the removal of this clause from future agreements, but until then this type of overtime should be expected.

**Auditee’s Response**

Guarantees of extended workday hours (the one-half hour overlap) and holiday pay granted custody personnel are required by existing union contract. Contracts
Excess leave taken by officers exacerbates the staff shortage, requiring even more overtime to be paid.

As previously mentioned, over 70 percent of regular overtime is a direct result of correctional officer staffing below the post trick analysis requirements. Most of the remaining portion is caused by actual leave time usage greater than the standard relief factor. The standard post relief factor for a 5-day post with relief is 1.3. This is determined by dividing the annual "coverage days" (261 days) by the average days an officer is available at the post (202). Based on the standard, the correctional officer is expected to charge 59 days to leave time (vacation, sick, administrative, etc.), training, and other time away from post coverage. DOC's analysis of actual officer time, however, has found the actual post relief factor varies by institution from 1.32 to 1.37. This variance from the standard post relief factor means that officers are at their post at least four fewer days per year than planned. Stated in financial terms, for every day above the standard, the department incurs additional overtime costs of $700,000.

A departmental study done at Riverfront State Prison found that the average correctional officer is in without pay (WOP) status 6½ days per year. This is largely attributable to excessive sick leave and suspensions. Each officer takes an average of 18 sick calls annually. The department is aware of the excessive sick leave usage and has implemented policies to enforce proper leave usage and punish attendance infractions. These policies however, have simply not been effective in controlling the excessive time an officer is away from post. The financial penalty
incurred by the offending officer is generally loss of pay for that day. This financial setback can easily be made up by working one shift of overtime. Additionally, officers in WOP status usually still earn their leave and fringe benefits, valued at $85 per day.

Departmental policy does not allow officers to charge leave time without the proper prior notice and approval. Instead, they are placed on WOP status. Although attendance infractions require disciplinary action, we recommend that the officer be required to charge leave time for these occurrences. By doing so, the officer with limited leave time may not take time off at some future date, because it would cause the imposition of WOP status. For chronic abusers, the department’s disciplinary suspension policy for leave and attendance infractions should be a deterrent. However, this policy option of paying a nominal fine as an alternative to suspension significantly weakens the deterrent and should be eliminated. The current fine of $50 per day does not even cover the $85 cost of benefits.

**Recommendation**

We recommend that the department strengthen its leave and attendance policies. These policies should limit WOP status and require officers to charge available leave time for unapproved absences. Chronic abusers should not have the option of paying a nominal fine in lieu of suspensions. Officers in disciplinary WOP status should be required to reimburse the state for leave and fringe benefit costs.

**Auditee’s Response**

In September 1996 the Department reinstated an aggressive sick leave verification procedure involving telephoning the residence of custody staff who reported absent from work due to illness. This procedure has resulted in a significant reduction in sick leave usage.

We do not agree with the recommendation to suspend employees rather than collect a fine. Suspending an
employee for attendance infractions is counterproductive and results in overtime costs to replace the suspended employee.

The recommendation that officers in WOP status be required to charge other paid leave cannot be implemented because the union contract only permits charging other leave at the employee's option. We know of no legal mechanism for seeking fringe benefits reimbursement from employees who are suspended.

Fines, Restitutions And Penalties

The Department of Corrections is mandated to collect court ordered debt owed by offenders adjudicated to the department. The current fines and penalties which are assessed upon conviction include a range of legislatively mandated and court imposed sanctions levied at sentencing. Receipts from these monetary sanctions are used to partially or wholly fund victim and community programs and law enforcement operations. Offenders can also be ordered to make restitution to compensate victims. Collections during fiscal years 1996 and 1997 totaled $1.4 million annually.

Historically, the primary responsibility for the recording and collecting of offender liabilities was vested in the Bureau of Parole, Central Office Revenue Unit. In December 1995, the Central Office Revenue Unit (CORU), along with the recording and collection responsibilities was reorganized under the department’s Bureau of Audits and Accounts. The new organizational structure was to provide increased assurance of the propriety and integrity of the information recording and receipt collection process. CORU began two new initiatives after the reorganization. The first was to centralize and automate offender and debt information. Under the Bureau of Parole, this
information was dispersed throughout numerous parole offices and correctional facilities and had been maintained manually. The second initiative was to record offender and debt information at the time of admission in the correctional system. In the past, court imposed liabilities were not recorded until the first payment was made, generally after the offender was released from a correctional facility.

The total amount of Fines, Restitutions and Penalties (FRP) due from offenders is estimated at $157 million, according to the Department of the Treasury, Centralized Revenue Collection Plan. The debt is owed by 70,000 offenders from three different categories. There are 28,000 state inmates currently incarcerated at state and county correctional facilities; 18,000 parolees who must report to parole officers; and 24,000 offenders who have completed the time portion of their sentence but still owe court imposed debt. CORU has concentrated its data processing efforts on these first two categories, where they have contact with the offender. As of March 31, 1997, the portion of the inmate liability CORU has recorded in its computerized database totaled $45.7 million in FRP.

The department has not developed a formal or comprehensive plan for the efficient recording of offender debt information. Currently, data entry onto CORU’s offender receivable database is a manual process. Because of this inefficient process, data entry is limited almost exclusively to offenders that make voluntary remittances, and new admissions and releases of correctional facilities. The inclusion of offender debt information for inmates presently serving long sentences has not been addressed. Additionally, our review of new admissions found only 74 percent (37 of 50) of those sampled were being identified and recorded in the CORU offender debt database. A comprehensive plan would identify and address each category of offender, identify resources required, establish time frames, and provide the basis for issuance of policies and procedures that lead to accomplishing the objective. Establishing and main-taining the database of offender debt
information is important if the department is going to meet statutory collection mandates.

**Recommendation**

We recommend that CORU develop and implement procedures which will establish and maintain a database inclusive of all offender debt information. Procedures which include the downloading of information from other DOC databases could efficiently and effectively supply most of the needed information required by CORU. The speedy establishment of this database will enable the department to implement procedures to achieve their objective of collecting these offender fines, restitutions and penalties.

**Auditee’s Response**

The Department is developing a plan to establish a database inclusive of all offender debt information.

The department continues its policy of not mandating involuntary collections of FRP from wages of inmates incarcerated in state correctional facilities.

N.J.S.A. 30:4-92 requires the collection of monies paid to inmates in an amount not to exceed one-third of total income to pay any assessment, restitution or fine ordered as part of any sentence. With annual inmate wages totaling $10.7 million, the department could have collected as much as $3.5 million. The department, however, has delayed the collection of FRP from inmate wages until debt information of all inmates is recorded on CORU’s files and an automated inmate payroll deduction system can be installed. The department feels it does not have adequate computer resources to implement their inmate payroll system, so withholdings are planned until a new computer system is installed.

Our review, however, has determined that the department has the ability, utilizing existing resources, to initiate a flat dollar amount deduction from inmate wages. The current inmate wage scale provides inmates with the ability to receive a minimum of $30 per month. A monthly deduction of just $2 from each inmate would generate new annual FRP collections in excess of $500,000.
Recommendation

We recommend that the department implement a $2 deduction from each inmate’s wages until a system which complies with their statutory mandate can be implemented.

Auditee’s Response

The Department disagrees with the recommendation to deduct $2.00 monthly from each inmate's wage. In accordance with New Jersey Administrative Code 10A:2-2f only inmate funds in excess of a $15.00 balance can be deducted to pay court ordered FRPs. Our present system does not have the capability to calculate account balances that would drop below the required minimum $15.00 balance. In addition, the system cannot identify inmates in state facilities who have paid their FRP in full. Significant staff resources would be required to check every inmate account balance monthly to ensure compliance with the above referenced code, and to determine every inmate's liability prior to the deduction. Compliance with this recommendation may, however, be feasible subsequent to the establishment of the database mentioned earlier.

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Better controls are needed to assure that withholdings of FRP from inmates are properly and timely remitted to CORU.

Department policy requires that all new inmates admitted to a state correctional facility with a balance of $25 in their personal account will have 1/3 deducted for court imposed obligations. Since the majority of inmates arrive at state correctional facilities after earning wages for time spent in a county facility, most new inmates have sufficient funds for withholding. Although withholdings are automatically made when these wages are credited to the inmate’s trust fund account, there are no procedures to assure that the correctional facilities remit these funds to CORU. Our review found that one correctional facility had not made a remittance since the establishment of the policy, which dates back to November 1995. Al-
though this facility properly collected more than $18,000 from inmate accounts, these FRPs were never remitted to CORU due to control weaknesses at the correctional facility and a lack of oversight controls by the department.

**Recommendation**

We recommend that the department develop procedures which would identify late remittances of withholdings from correctional facilities and properly follow up on them. These procedures should include making the business managers aware of their responsibilities to make timely remittances and having CORU maintain a monthly checklist, which assures the receipt of remittances and supporting inmate trust fund reports from all correctional facilities. Additionally, in order to increase efficiency, efforts should be made to automate the data input process between the inmate trust fund and CORU’s FRP records.

**Auditee’s Response**

The Department has developed procedures to identify late remittances of FRP withholdings from correctional facilities and to follow up with the business offices on a monthly basis. CORU maintains a monthly checklist to monitor the receipt of remittances and supporting inmate trust fund reports from all correctional facilities. Additionally, efforts have been made to automate the data input process between the inmate trust fund and CORU’s FRP records.

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**FRP remittances from inmates at halfway houses are substantially below the percentage allowed.**

N.J.S.A. 30:4-91.4 requires the department to withhold up to 16.6 percent (one-third of one-half of net wages) of wages earned by inmates as part of any work release program. Our review of halfway house inmate wage data, obtained from DOC’s Bureau of Contract Administration, disclosed that annual FRP collections from inmates on work release residing at halfway houses should be $650,000. CORU records, however, show only $224,000 was remitted from all halfway houses during the 16-month period (January
1996 through April 1997) for which data was captured.

Halfway house operators are responsible for accounting for their resident inmate’s wages and funds. The authority and obligation to withhold maintenance fees and FRP funds from work release wages is given to them as part of their operating agreement with DOC. Procedures assuring the collection and remittance of FRP funds, however, are not as good as those assuring the collection of maintenance fees. Maintenance fee collection is assured by subtracting this amount from the operator’s claim for payment. To support the fee calculation, operators must supply inmate wage information each time a claim is submitted for payment. The collection and remittance of FRP funds, however, are handled independent of the claims process and without the supporting wage documentation. As a result, CORU does not have adequate information to assure they are receiving the proper amount from all work release inmates.

**Recommendation**

We recommend that the department enhance its controls and maximize the collection of FRP payments from inmates at halfway houses by utilizing the same methods used in collecting maintenance fee recoveries. By deducting the appropriate wage withholding percentage from the halfway house claim, the remittance of the FRP collections to CORU can be easily completed by utilizing an intra governmental payment voucher. These new procedures should also include having CORU maintain a monthly checklist to assure the recording of these remittances and the receipt of the supporting inmate wage reports from all halfway houses, so the individual inmate files can be properly credited for the FRP payment.

**Auditee's Response**

The auditor's recommendation to deduct wage withholdings from the halfway house claims raises several contractual and legal concerns which require further consideration. The Department's Bureau of Contract
Administration will, however, be working in concert with CORU in developing policies and procedures to maximize collection and remittance of FRP funds from the halfway houses. CORU has implemented a policy which requires the maintenance of a monthly checklist to monitor the recording of remittances and the receipt of supporting inmate wage reports from all halfway houses so that individual inmate records can be properly credited.

The Department should maximize its use of the SOIL program for paroled inmates.

The Bureau of Parole has a case load of approximately 42,000 former inmates or former parolees. Almost without exception each of these individuals owes a court-imposed liability. To date only 3925 cases have been reported to Treasury’s Set-Off of Individual Liability program (SOIL). The collection effort on 24,000 of these cases is minimal as the offenders have completed the time portion of their sentence and are no longer under the supervision of a parole officer. For these discharged parolees, SOIL provides an additional collection opportunity by redirecting New Jersey tax refunds and homestead rebates to offset any FRP debt.

A plan, utilizing printouts of the Offender Based Correctional Information System (OBCIS) data on discharged parolees and the staff at the district parole offices to obtain the liability information, has been developed, but to date has not been implemented. Because of the manpower necessary to weed through the files of discharged parolees and the historically low collections SOIL has produced, department management has not prioritized the implementation of this plan.

In addition to the DOC plan, Treasury’s Centralized Collection Plan also identified the estimated $60 million debt owed by discharged parolees as a high candidate for expanded collection efforts. But ham-

pered by there being no centralized or automated system to track these receivables, no collection initiatives have yet been implemented by Treasury.

**Recommendation**

We recommend that the department implement a policy requiring the reporting to SOIL, at the time of release, all inmates leaving the correctional system with an outstanding FRP. This data could be used by the Department of the Treasury to implement expanded collection efforts.

**Auditee's Response**

The Department has implemented a policy requiring the reporting to the Department of the Treasury's recently established Revenue Unit at the time of release all inmates leaving the correctional system with outstanding FRPs.

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Unclaimed restitutions have been retained by the Department.

The Department has $300,000 in restitutions collected from inmates and parolees which has not been sent to victims. As noted in our prior reports, the majority of this balance is comprised of funds that cannot be paid due to inaccurate or incomplete victim information. Although CORU continues trying to investigate the proper beneficiary of these funds, they lack the resources to adequately determine the proper payee and much will undoubtedly remain unclaimed.

**Recommendation**

We recommend that the department continue its efforts to identify the proper beneficiaries of these funds, but for that portion which is more than five years old, in compliance with N.J.S.A. 2A:37-30, Treasury’s Unclaimed Personal Property Fund should be consulted as to proper disposition. Additionally, we recommend that procedures be implemented to annually identify unclaimed funds that are more than five years old and forward that amount to the Department of the Treasury.

**Auditee's Response**

The Department in coordination with the various
county prosecutor's offices will continue efforts to identify proper beneficiaries of restitution funds. Unclaimed funds held for five years will be forwarded to the Department of the Treasury's Unclaimed Personal Property Fund in compliance with N.J.S.A. 2A:37-30. Procedures are being developed to review the unclaimed funds annually to identify funds that are more than five years old and to forward that amount to the Department of the Treasury.

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County Inmate Wages

The elimination of unnecessary wage payments to state inmates in county facilities would result in $1.3 million of cost savings. While state inmates are in county jails they usually perform no job (except maintaining their cell) and require no personal needs allowance (PNA) because the county supplies them with all their needs. Despite this, they are credited with $1 a day wage. Although this amount may seem immaterial, county inmate wage payments total $1.3 million annually.

The department has decided to make these wage payments based on statutory interpretations and a desire to treat all inmates uniformly. At issue are the elements of N.J.S.A. 30:4-92 which includes the statement that the inmates of all correctional institutions within the jurisdiction of the (commissioner of corrections) shall be employed in such productive occupations as are consistent with their health, strength and mental capacity and shall receive such compensation therefor as the (commissioner) shall determine. The statutes go on to say that compensation can be made in the form of wages or remission of time from sentence (work credits) or both. DOC officials believe that under the inmates' equal protection rights, since they give both wages and work credits to inmates that reside in state facilities, they must also give the state inmates in county facilities similar compensation.
An operational review of the department was conducted by a consulting firm. The report was critical of DOC’s wage payments to inmates, having characterized them as welfare payments. Many work assignments have been described as no show jobs where work hours and attendance is limited. We, however, distinguished between payments to state facility inmates and county facility inmates. There are two major differences between them. The first is that county inmates usually do not have any job assignments. Keeping your own cell clean is a requirement at state facilities, it is not considered a work assignment. State inmates are required to perform other duties to earn compensation. Secondly, there is a need to pay inmate wages at state facilities. Inmates are not given all of their personal needs, but are expected to work for them. If state inmates were not given wages they would have to be given a PNA. County inmates are supplied with everything they need. They require neither PNA nor wages. This point is evident by the fact that in most instances, this money is not made available to them until they leave the county facility.

With regards to equal protection rights, it is the opinion of Legislative Counsel that the DOC “…may deny inmates compensation if work is not available to the inmates. Secondly, it appears that if the DOC chooses to compensate inmates for cleaning their own cells, it may compensate differently inmates in county facilities performing the same task as those in State facilities.”

**Recommendation**

We recommend that state inmates in county facilities not be compensated with wages. If the department feels compensation is necessary it could be limited to just work credits.

**Auditee’s Response**

In September of 1977 this Department obtained an Attorney General's opinion which stated:

"...Those individuals who are confined in the county correctional facilities due to lack of
space in the State Prison System should be treated, with respect to the forms of compensation afforded by the Department of Corrections to inmates who participate in the work program, as if they were housed within the State Prison Complex."

The Department will request that the Division of Law review this issue again and provide a formal opinion as to whether state prisoners housed in county jails may receive compensation for work in the form of credits only, notwithstanding the fact that the Department compensates prisoners in our facilities in the form of both wages and credits.

$5.7 million in federal reimbursements that should have been credited directly to general surplus remain in program accounts.

Federal Reimbursement

The department’s costs associated with the confinement of state inmates are mostly funded by state appropriations. During fiscal year 1996, however, the department received an unanticipated $2.8 million federal grant partially reimbursing the state for the 1995 costs of incarcerating illegal immigrant inmates. Of this amount only $600,000 was used to reimburse the state supported appropriation accounts that incurred the original costs. The remaining $2.2 million balance has been carried forward in federal accounts for possible future year disbursement. In fiscal year 1997, an additional $3.5 million was received. Because receipt of these funds was uncertain, they were not included in the department’s budget. Therefore, these funds should have been credited directly to general surplus because they represent reimbursement of expenditures already funded through state appropriations.
Recommendation

We recommend the department transfer $5.7 million to general surplus. We also recommend that the department include future federal grants in their annual budget.

Auditee's Response

Federal funds received in FY 1996 and FY 1997 as partial reimbursement for the cost of housing illegal aliens in state correctional facilities were carried forward in federal accounts pending appropriation authorization. The FY 1998 Appropriations Act appropriates federal State Criminal Alien Assistance Program (SCAAP) funds received in FY 1996, FY 1997, and anticipated in FY 1998 to the Department of Corrections. The Department's Direct State Services appropriation in FY 1998 was reduced based on availability of SCAAP funds.

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Superintendent Housing

Historically, DOC has given all correctional facility superintendents housing to assure their ability to respond to emergencies. This benefit is statutorily allowed and specified in the contract as part of their compensation. We noted that some superintendent housing is located considerable distances from their facilities. In addition, a few superintendents are allowed to decline housing in favor of retaining their own residence. These exceptions question the necessity of the superintendent’s continuous presence and residency at the facility. Because of new technology, the superintendent’s proximity to the prison may not be as important in deciding his ability to respond to emergencies. Annual superintendent housing benefits cost $100,000.

Recommendation

We recommend that the department reconsider the necessity of this cost, and as superintendents are replaced, this benefit not be given as compensation.
Auditee's Response

In an effort to assure a uniform yet reasonable policy, the Department attempts to place Superintendents in housing on grounds at the facility. Most housing is provided in this manner. However, housing is not available at all institutions. In these cases the Department has utilized available housing at other institutions if within reasonable distance from the Superintendent's assigned institution. If no housing is available, leased houses have been obtained (Northern State Prison and South Woods State Prison). Additionally, some Superintendents have been permitted to live in their own home if their home is within reasonable proximity to their assigned institution. No compensation is provided in lieu of housing. The Department of Corrections considers all Superintendent housing assignments on a case by case basis to determine the most appropriate arrangement based on availability, proximity and cost.

Union Leave

Our previous audit noted that five correctional officers were allowed to charge five times more days to union business than allowed by the collective bargaining agreement. The department’s response to this finding was that much of the leave referred to in the finding was granted to excuse the officers to perform employee relations functions for the department. It was not considered union leave.

Our current review found that correctional officers who serve as union officials are still excused from their posts for nearly all of their time. During this assignment, their activities are neither supervised nor controlled by the department. Officials of other employee unions, performing similar activities, are not included on the state payrolls.

Recommendation

We recommend that the costs of union business be reimbursed to the state.

Union business costs should be reimbursed to the state.
Auditee's Response

The union contract requires the Department to provide paid leave time for union officials to investigate employee grievances and to be present at first and second step grievance hearings. Union officials are also required to be paid to attend pre-arbitration conference and actual arbitration hearings. Union officials are also permitted to be released with pay (including necessary travel time) to attend Department disciplinary hearings and to represent employees before the Office of Administrative Law (OAL) in contested cases and Early Settlement Conferences. They are also released to attend PERC exploratory conferences and hearings and Joint Union Management Panel (JUMP) conferences. The volume of hearings, conferences, etc. require union representatives to spend virtually all their time representing their employees.

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