Department of Corrections
Riverfront State Prison

July 1, 1998 to February 29, 2000

Richard L. Fair
State Auditor
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  

Enclosed is our report on the audit of the Department of Corrections, Riverfront State Prison for the period July 1, 1998 to February 29, 2000.  

If you would like a personal briefing, please call me at (609) 292-3700.  

June 2, 2000  

TRM:jlk
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Department of Corrections
Riverfront State Prison

Scope
We have completed an audit of the Department of Corrections (DOC), Riverfront State Prison for the period July 1, 1998 to February 29, 2000. Our audit included the financial activities accounted for in the state’s General Fund. Our review did not include nonappropriated funds since these funds were the subject of a recent DOC internal audit.

The prime responsibility of the Riverfront State Prison is to provide custody and care to inmates incarcerated at this facility. Total expenditures of the prison during the audit period were $50 million.

Objectives
The objectives of our audit were to determine whether financial transactions were related to the prison’s programs, were reasonable, and were recorded properly in the accounting system. 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 prison. 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 prison personnel to obtain an understanding of the programs and internal control.

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 also examined.

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

Conclusions

We found that financial transactions were related to the prison’s programs, were reasonable, and were recorded properly in the accounting system. In making this determination, we noted certain internal control weaknesses meriting management’s attention. We also noted areas where operating costs could be reduced.

We found that the prison had resolved the significant issues noted in our prior report, with the exception of Food Service timesheets not having supervisory approvals, and internal control and compliance issues for appropriation expenditures. These issues have been updated and restated in our current report.
SHIFT OVERLAP

Overtime costs could be reduced by moving overtime hours to the least-staffed shift.

According to the union contract, all custody officers receive twenty minutes per day in overtime compensation for a shift overlap, because they cannot leave their post until relieved by an incoming custody officer. Correctional facilities run 24 hours per day with 3 eight-hour shifts. The first and second shifts, which utilize the most officers, incur the greatest shift overlap costs. Shift overlap overtime costs at Riverfront State Prison for fiscal year 1999 were $918,000; the prison’s costs for fiscal year 2000 as of December 17, 1999 were $393,000.

It is the responsibility of management to implement cost effective procedures to meet its objectives. Overtime costs could be reduced without adversely affecting the safety concerns of the prison by changing officers’ schedules. The second shift could start 20 minutes earlier (at 1:40 P.M. instead of 2:00 P.M.) so that the first shift would not have to be retained for 20 minutes of overtime. The third shift could then start 40 minutes earlier (at 9:20 P.M. instead of 10:00 P.M.) so that the second shift would not have to work overtime. It would then be necessary to retain the third shift for 20 minutes at the end of its shift rather than scheduling the first shift to report early. Although this rescheduling would result in one hour overtime for the third shift officers, it would eliminate shift overlap costs for the significantly larger first and second shifts. The overtime for the last shift could also be viewed as a shift differential that would be an incentive to work the least desirable shift. We estimate that this rescheduling would result in a 45 percent reduction in shift overlap costs. For our audit period, this would represent savings of $594,000.
Below we have illustrated a sample schedule with the corresponding number of correctional officers assigned to each shift.

<table>
<thead>
<tr>
<th>Shift</th>
<th>Hours</th>
<th>Hrs. Paid</th>
<th>Avg. Positions</th>
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<tbody>
<tr>
<td>1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>6 am-2 pm</td>
<td>8 hrs. reg.</td>
<td>102</td>
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<tr>
<td>2&lt;sup&gt;nd&lt;/sup&gt;</td>
<td>1:40pm-9:40pm</td>
<td>8 hrs. reg.</td>
<td>81</td>
</tr>
<tr>
<td>3&lt;sup&gt;rd&lt;/sup&gt;</td>
<td>9:20pm-6:20am</td>
<td>8 hrs. reg.&amp; 1 hr.overtime</td>
<td>41</td>
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**Recommendation**

We recommend that the department review this proposed schedule modification to determine whether it could be presented at the next contract negotiations with custody officers.

**Agency Response**

The recommended schedule modification was also in the audit of the Garden State Youth Correctional Facility which was published on August 3, 1999. The Department has reviewed the proposed schedule modification and agrees that implementation would be cost effective. As previously advised, shift overlap is paid by contractual agreement which is negotiated by the Governor’s Office of Employee Relations. The auditor’s recommendation was referred to the Office of Employee Relations for consideration. During interest arbitration with the Law Enforcement Unit, The Department argued that the provision of Overlap be eliminated. Presently, we are awaiting the arbitrator’s decision.

**INMATE WAGES**

According to DOC Standard 620, *Inmate Wages*, inmate workers should be rated in one of three pay ranges with the following “approximate rating distribution”: below average (35 percent), average (50 percent), and above average (15 percent). Our review of the November inmate payroll proofs for Riverfront revealed that nearly 50 percent of inmate workers (561 out of 1131) were being paid at the above average range. As a result, 35 percent of inmates were overpaid. Inmate ranges at Riverfront are disproportionately high because management allowed a program that provided salary incentives to...
minimum security inmates to continue after the facility’s status had changed to medium security. If Riverfront’s inmate wages were brought into compliance with DOC standards, they could realize annual savings of approximately $40,000.

**Recommendation**

We recommend that the prison comply with DOC Standard 620.

**Agency Response**

The Department is currently developing a revised inmate wage policy which will align specific wage levels with appropriate performance incentives.

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**BUSINESS OFFICE VACANCIES**

There are currently four vacancies in the Riverfront business office, which has 13 budgeted positions. As a result of these vacancies, which includes an office supervisor, the business manager has had to assist staff in performing routine office functions instead of meeting his responsibilities. As part of management’s supervisory staff, the business manager is part of the internal control system that is to provide reasonable assurance that objectives and goals will be achieved. Having sufficient competent staff with defined responsibilities and oversight is part of an effective organizational control system. This audit has noted that the business office is behind schedule in meeting deadlines, such as the processing of inmates wages and inmate canteen orders. The audit has disclosed that the business office is still not in compliance with our prior audit recommendation dealing with internal controls and compliance issues for appropriation expenditures. In addition, reconciliations of nonappropriated funds have not been performed since the transition to the new computer system in November 1999 because of these staff shortages. Not reconciling funds was also a condition reported upon in our prior audit report. Our review of the workpapers of the department’s internal auditors revealed numerous control and compliance deficiencies noted in their review of the nonappropriated funds. Discussions with the audit
staff noted that these problems are recurring issues resulting from insufficient staff.

**Recommendation**

We recommend the hiring of business office employees be expedited. Consideration should be given to hiring business students from Rutgers University-Camden Campus on a part-time basis to assist the business office staff in meeting its responsibilities until full-time employees are hired.

**Agency Response**

The hiring of competent employees for the business office is a priority and we concur with your recommendation to expedite the process. RFSP recently hired a Supervisor of Accounts and a Principal Clerk Bookkeeper to support the business office. Justification to fill two additional business office vacancies has been submitted and is pending review and evaluation.

The recommendation to hire students from the Rutgers University on a part time basis to assist the Business Office will be pursued by institutional management.

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**INTERNAL CONTROLS**

**APPROPRIATION EXPENDITURES**

Appropriation expenditures for nonpayroll costs were $15.2 million for the period under review. Our tests of expenditures revealed the following internal control weaknesses in the purchasing and payment cycles.

- The institution did not comply with the department or state purchasing procedures for 6 of 26 purchases tested.

- Expenditures were not paid timely for 10 of 64 transactions tested; this included four instances where discounts were not taken or an interest charge was assessed, at a total cost of $3900.
• There was inadequate supporting documentation for 4 of 41 sample expenditures.

• Expenditures were classified in an improper appropriation account for 27 items totaling $23,600.

• Nine of 50 expenditure documents requested from the business office staff could not be located.

A strong system of internal controls is necessary to decrease the risk that errors will occur and not be detected by management. These exceptions occurred because of inadequate management review of appropriation expenditures by the business office.

**Recommendation**

We restate our recommendation that the prison implement and enforce strong internal controls over the processing of appropriations expenditures that would ensure that transactions are accurate, timely, properly classified in the state’s financial system, and in accordance with state and department procurement guidelines.

**Agency Response**

Weaknesses identified were directly related to the staffing level of the business office during the audit period.

As mentioned earlier in this response, two of the four vacancies that existed within the business office have been filled and requests to fill the remaining positions have been initiated. Immediate corrective action to address reported control weaknesses included training of all appropriation staff and the establishment of a new filing system for Fiscal Year 2001.
Food Services timesheets should be signed by supervisors.

We noted that 19 of 105 timesheets tested from the Food Services unit were not signed by a supervisor. This lack of supervisory signatures in the Food Services unit was also noted in our prior report. Employees’ timesheets should be certified by their supervisors to ensure accuracy. Otherwise, they could claim extra overtime or improperly use sick, vacation, or compensatory leave. The lack of signatures resulted from negligence on the part of the supervisors and the fact that the unit timekeeper processed timesheets without supervisors’ signatures.

**Recommendation**

We restate our recommendation that the prison implement procedures that would prevent the processing of the biweekly payroll for employees whose time has not been certified by a supervisor.

**Agency Response**

The signature of an employee’s supervisor is required before a timesheet is submitted for payroll processing. Procedures have been modified and reviewed with appropriate staff to ensure compliance. All timesheets will be approved by the supervisor and reviewed by the Director of Custody Operations prior to processing.

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**DEPARTMENT OF CORRECTIONS’ INTERNAL AUDIT REPORT**

The Department of Corrections’ Internal Audit unit conducted an audit of Riverfront’s off-system funds (inmate accounts) for the period July 1, 1996 to March 31, 1998. This audit was completed in the summer of 1998, but the report has not been issued yet. As a result, Riverfront management has not had the opportunity to see the results of the audit in writing or to develop a corrective action plan to remedy control weaknesses. The work of the department’s internal audit staff should serve as an important control feature for the prison.
Recommendation

We recommend that the department’s internal audit unit issue its report for the audit of Riverfront State Prison’s off-system funds. In the future, internal audit reports should be issued within a reasonable time period after the conclusion of audits.

Agency Response

Because of other audit priorities, publication of the internal audit report has been delayed. RFSP management was made aware, however of significant audit findings during the field audit and has been working with the Department’s Accounting Unit in developing appropriate resolutions.

The report will be issued by the end of June, and that a follow up audit of RFSP will be scheduled to evaluate the facility’s progress.