Department of Corrections

Edna Mahan Correctional Facility for Women

July 1, 1995 to May 31, 1997
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, Edna Mahan Correctional Facility for Women for the period July 1, 1995 to May 31, 1997.

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

Richard L. Fair
   State Auditor
   September 19, 1997
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Department of Corrections
Edna Mahan Correctional Facility for Women

Scope

We have completed an audit of Department of Corrections, Edna Mahan Correctional Facility for Women for the period July 1, 1995 to May 31, 1997. Our audit included financial activities accounted for in the state’s General Fund and nonappropriated funds.

Total expenditures of the agency during the 23 month audit period were $50.4 million. The prime responsibility of Department of Corrections, Edna Mahan Correctional Facility for Women is to provide custody and treatment programs for female offenders.

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, 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 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 judgmentally selected.

Conclusions

We found that the financial transactions included in our testing were related to the facility's programs, were reasonable and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses and matters of compliance with laws and regulations meriting management's attention. Our review also noted instances where operating economies can be achieved by the facility.

Auditee’s Response

I have reviewed the final report prepared by your office summarizing the audit of Department of Corrections, Edna Mahan Correctional Facility for Women, for the period July 1, 1995 through May 31, 1997. I appreciate this opportunity to respond to the findings and recommendations included in your audit report. Responses to the audit findings and recommendations follow:
Custody Staffing and Overtime Costs

The Department of Corrections has established staffing requirements for custody officers at the facility. Our review of the staffing of custody officers noted inefficiencies due to overstaffing. During the period July 1995 to January 1997, there was an average of nine surplus positions. Custody officers were hired for the opening of a new housing unit for 264 inmates, however, construction problems has postponed the opening. The department’s single appointing authority policy, effective February 1, 1995, allows officers to be reassigned within regional locations to prevent staffing surpluses or shortages. Mountainview Youth Correctional Facility, located approximately five miles from the facility, could have prevented overtime cost of $300,000 annually had the department transferred the surplus officers.

Recommendation

We recommend that the department transfer surplus custody officers to other facilities where needed.

Auditee’s Response

The Department has recently completed an in-depth custody staffing analysis (“right sizing”) at the Mountainview Youth Correctional Facility (MYFC). Based on this analysis seventeen custody officer positions were recently transferred from the Edna Mahan Correctional Facility for Women to MYFC. The transfer of these positions is intended to reduce custody overtime costs at MYFC.

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The facility should use the Distribution Center to take advantage of volume purchasing.

Purchasing Procedures

Our review of expenditure transactions noted instances of noncompliance to purchasing regulations and an internal control weakness. Circular Letter 96-23G-GSA delegates purchasing authority to facilities for purchases less than $10,500. Purchases greater than this amount are to be handled by the Division of Purchase and Property using state contract procedures to achieve cost savings through volume purchasing. Our review noted purchases with 12 food vendors ranging from $18,000 to $120,000 annually. Given this volume, the facility should have requested these food commodities be furnished by the State Distribution Center or through state purchasing contract procedures. In addition, our sample of 43 purchases found 13 additional instances of noncompliance to purchasing regulations. These included insufficient bids, splitting large dollar purchase orders to circumvent regulations, telephone quotations being used instead of sealed bids and state purchasing contracts not being utilized. We also noted that the duties of procurement and verification of the receipt of goods/services prior to payment were not adequately segregated, especially for purchases made by the maintenance department.

Recommendation

We recommend the facility establish procedures to estimate the annual dollar value of commodities and services and comply with state procurement regulations. We also recommend that the duties of procurement and notification of the receipt of goods/services be segregated in all departments of the facility.

Auditee’s Response

The facility will establish procedures to estimate the annual dollar value of commodities and services and comply with state procurement regulations. Management of the facility will ensure that the duties of procurement and notification of the receipt of goods/services will be segregated.
Inmate Welfare Fund

The facility should utilize the Welfare Fund to benefit inmates.

According to N.J.A.C. 10A:2-3.2, “Inmate welfare funds shall be spent only for the use, benefit and general welfare of the inmate population as a whole…” As such, the fund supplements the facility’s state appropriation in providing for the inmate population. As of May 1997, the welfare fund balance accumulated to $250,000. This represents a high balance compared with other state correctional facilities. The absence of strategic planning by management, such as an annual budget, has contributed to the high balance. A cursory review of the state appropriated expenditures during our audit period found expenditures that were eligible to be spent from the inmate welfare fund.

Recommendation

We recommend that management of the facility submit annual Inmate Welfare Fund budgets to its board of trustees that address the current and long term benefit and general welfare needs of the inmate population.

Auditee’s Response

Management of the facility will submit annual Inmate Welfare Fund budgets to its board of trustees that address the current and long term benefit and general welfare needs of the inmate population.
Inmate Commissary Fund

The facility maintains an inmate commissary which enables inmates to purchase various goods for their personal use. The review of operating costs noted that employee and inmate salaries are charged to the state appropriation, rather than to the fund. We estimate the personnel costs to be $85,000 annually. The practice of excluding these costs from operating expenses is contrary to the department’s current policy of making inmates participate in the funding of some of their incarceration costs.

We also noted that there is a lack of segregation of duties over commissary operations. Given this condition, we felt that management could rely on a gross profit test as a compensating control procedure to monitor operating results. However, our review disclosed that this compensating control is also unreliable because procedures for an independent review of physical inventory counts was not in effect. The physical inventory counts impact the accuracy of the financial statements needed by management to meet its responsibility of monitoring operating results against predetermined standards. Management must periodically monitor control procedures to assure that they are functioning as intended.

Recommendation

We recommend the department consider the salary costs of the commissary under their policy of inmates participating in the funding of their incarceration costs. The degree of inmate participation in the funding of these costs could be achieved through price adjustments. We also recommend that management periodically monitor the effectiveness of internal controls over the commissary and take corrective action if necessary.

Auditee’s Response

The Department is in the process of establishing dedicated funds for the various institutional commissaries. Direct salary costs incurred to perform the
functions necessary to operate the inmate commissary program will be charged to commissary funds.

Management has reviewed the effectiveness of internal controls over the commissary and has taken appropriate corrective action.

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**Shared Services**

The Department of Corrections has implemented several cost savings initiatives that have benefited the facility. These include consolidating the personnel/payroll functions with Mountainview Correctional Facility, privatizing medical services, civilianizing certain custody duties, and sharing food and utility costs with Hunterdon Developmental Center (HDC). To further this process, the Department of Corrections should consider combining similar duties and responsibilities with HDC which abuts Edna Mahan Correctional Facility for Women. Combining similar duties will add efficiency to operations and reduce costs by eliminating duplicate supervisory positions. Our review of personnel and expenditure data for both facilities noted potential savings in the maintenance and housekeeping departments.

**Recommendation**

We recommend the management of Hunterdon Developmental Center and Edna Mahan Correctional Facility for Women review the necessity of maintaining like positions as well as the possibility of sharing personnel and their responsibilities.

**Auditee’s Response**

The responsibility, authority and mission of Edna Mahan Correctional Facility for Women is significantly different and completely independent of the Hunterdon Developmental Center. As such, it would not be feasible to administratively combine staffing from both facilities. It should be noted that mainte-
nance staff resources and equipment are currently shared on a routine basis.

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