Enclosed is our report on the audit of the Department of Corrections, Adult Diagnostic and Treatment Center for the period July 1, 1998 to April 30, 2000.

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

August 23, 2000
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Department of Corrections  
Adult Diagnostic and Treatment Center

**Scope**

We have completed an audit of the Department of Corrections (DOC), Adult Diagnostic and Treatment Center for the period July 1, 1998 to April 30, 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 DOC internal audit review.

The prime responsibility of the Adult Diagnostic and Treatment Center is to provide custody and inpatient services for adult male sex offenders. During our audit period, the center opened their Northern Regional Unit in Kearney, New Jersey in August 1999 as the temporary location for civilly committed sexual predators. Total expenditures of the center during the audit period were $42 million.

**Objectives**

The objectives of our audit were to determine whether financial transactions were related to the center’s programs, were reasonable, and were recorded properly in their accounting system. We also tested for resolution of significant issues noted in our prior audit 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 center. 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 personnel to obtain an
understanding of the center’s 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. Transactions were judgmentally selected.

**Conclusions**

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

We found that the center had resolved the significant issues noted in our prior report with the exception of outpatient examination billings. This issue has been updated and restated in our current report.
Shift Overlap

According to the union contract, all custody officers receive twenty minutes per day in overtime compensation for 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. Annual shift overlap overtime costs at Adult Diagnostic and Treatment Center amount to $809,000.

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 center 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 third 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 35 percent reduction in shift overlap costs, representing an annual savings of $280,000.
Below we have illustrated a sample schedule with the corresponding number of custody officers assigned to each shift.

<table>
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<tr>
<th>Shift</th>
<th>Hours</th>
<th>Average</th>
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<tr>
<td>6:00 am - 2:00 pm</td>
<td>8 reg. time</td>
<td>83</td>
</tr>
<tr>
<td>1:40 pm - 9:40 pm</td>
<td>8 reg. time</td>
<td>60</td>
</tr>
<tr>
<td>9:20 pm - 6:20 am</td>
<td>8 reg. time and 1 hr. OT</td>
<td>40</td>
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**Recommendation**

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

**Auditee’s Response**

In accordance with a recent contract arbitration decision, effective July 1, 2000, shift overlap has been eliminated from the Senior Correction Officer’s Union contract. Senior Correction Officers comprise approximately 85% of the staff eligible for shift overlap. Lieutenants and Sergeants, which make up the remaining 15%, continue to receive shift overlap pending the outcome of their bargaining units’ contract arbitration.

Compensatory Time

In accordance with DOC Human Resource Bulletin 98-07, all eligible employees may receive compensatory time in lieu of cash overtime. Requests for use of compensatory time will be honored if they do not create additional overtime. During our review, we found that employees, primarily custody officers and communication operators, were using compensatory time when it created additional overtime. The usage of compensatory time when coupled with the center’s average sick leave usage has the potential of creating

Compensatory time used could cause $90,000 in additional overtime annually.
additional overtime. The center does not factor in average sick leave usage in their work schedule before an allowance is made for compensatory time off. The elimination of compensatory time as a form of overtime compensation will decrease the amount of scheduled time off and allow the center to absorb additional unscheduled absences before staffing at overtime rates. When compensatory time is taken, the cost of replacement staff is one and one-half times the cost of paying for overtime in the form of cash. We estimate the annual savings at the center to be $90,000 if overtime is paid in cash, rather than in compensatory time.

**Recommendation**

The center should not grant compensatory time if it creates additional overtime, but should instead pay overtime in cash.

**Auditee’s Response**

ADTC management has advised that compensatory time is granted only if the shift is adequately staffed considering previously approved leave requests. Granting compensatory time may create additional overtime as a result of unanticipated sick leave absences by other employees assigned to the shift. The department will modify the current policy regarding the granting of compensatory time to minimize incurring additional overtime costs.

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**Temporary Employment Agency**

The center uses a temporary employment agency for accounting and secretarial services. In accordance with the state contract, if the primary employment agency cannot fill a temporary position requested, the center may obtain services from the next available temporary employment agency. In such cases the primary agency must pay a penalty, which is the difference between their cost and the cost to be paid to the first backup contractor.
From July 1998 to April 1999, the center was not timely in collecting $22,000 in penalties from the primary employment vendor. Average monthly penalties are $3,000. In addition, the business office did not submit complaints timely to the State Purchase Bureau when the vendor breeched its contract. During March 2000, the business manager made a complaint with the State Purchase Bureau. As a result, the vendor paid $28,000 toward the current $60,000 penalty balance and agreed to make weekly payments until the balance is satisfied.

**Recommendation**

We recommend the center continue collecting penalties from the vendor on a timely basis.

**Auditee’s Response**

ADTC will continue collecting penalties from the primary employment vendor on a timely basis.

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**Outpatient Examination Billings**

N.J.S.A. 2c:47-1 states that “Whenever a person is convicted of the offense of aggravated sexual assault . . . the judge shall order the Department of Corrections to complete a psychological examination of the offender. . . .” Section 7 of this statute further states that “The Commissioner shall determine and fix the per capita cost of examining and maintaining any offender . . . and . . . the governing body of the county shall make provisions for payment of one-half of the cost thereof to the Adult Diagnostic and Treatment Center . . . .”

The Judicial Unification Act that went into effect in 1994 placed the responsibility for funding the county court system with the state. The county court system is the governing body that is responsible for making provisions for payment of one-half of the cost of the psychological examination as called for in N.J.S.A. 2c:47-1. As noted in our prior audit report, under these circumstances, the state continues billing and paying itself approximately $110,000 annually for
the cost of examinations. In addition, there are $6,000 of unnecessary salaries for providing financial record keeping. There is also a $112,000 receivable of which center management can not determine the validity. Circumstances have altered the intent of N.J.S.A. 2c:47-1. Economies can be achieved by eliminating the costs of billing, payment, depositing, and accounting for examinations.

**Recommendation**

We restate our recommendation that the Department of Corrections and the Judiciary consult with the Department of the Treasury about a more efficient means of handling the transaction. The review should include, but not be limited to, budgeting the total costs at the center, making a non-cash transfer of funds, or processing an annual payment.

**Auditee’s Response**

The ADTC Business Manager has contacted the Judiciary and the Department of the Treasury to develop a more efficient method of handling billing transactions. The Business Manager will follow-up with the Department of the Treasury as necessary to facilitate a more efficient payment process.

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**Sick Leave Usage**

Doctors’ notes are not obtained from employees who used more than 15 sick days annually.

The Department of Corrections considers good attendance for all employees imperative in achieving goals and objectives. Attendance related problems such as excessive use or abuse of sick leave result in unnecessary overtime. Each eligible employee is allotted 15 sick days annually and may carry forward balances to the following year.

DOC Human Resources Bulletin 84-17 states, “employees who are absent an aggregate of 15 days in a calendar year shall be required to submit a doctor’s verification of illness for all future absences charged to sick leave during that calendar year....” In addition, the center may require proof of illness or...
injury when there is a reason to believe that an employee is abusing his/her sick leave.

Management may dock a day’s pay from an employee’s paycheck if the employee fails to furnish a doctor’s note for a sick day. The regional personnel unit, located at East Jersey State Prison, delegates internal department heads to request doctors’ notes from employees when needed.

In 1999, there were 44 of 343 employees (13 percent) who used more than 15 sick days. In most cases, doctors’ notes were not obtained from employees who used more than 15 sick days. Management informed us that they will request proof of illness when employees use more than 15 sick days and are out of sick leave time. Controls over complying with DOC’s attendance policy can improve if the regional personnel unit monitors sick leave requirements more closely.

**Recommendation**

We recommend the center comply with its attendance policy. In addition, the regional personnel unit should monitor sick leave requirements more closely.

**Auditee’s Response**

ADTC management will comply with the department’s attendance policy. Actions have been taken to ensure that doctor’s notes are obtained from employees who utilize more than fifteen sick days in a calendar year. Department heads have been notified of these procedures. Personnel will provide all department heads with early warning reports regarding sick leave utilization on a monthly basis. The personnel manager will conduct informal biannual audits of compliance with the sick leave policy.