Office of the State Auditor

Audit Report

Department of Corrections

Mountainview Youth Correctional Facility

July 1, 1993 to June 30, 1995
Department of Corrections

Mountainview Youth Correctional Facility

Audit Report

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We have completed an audit of the Department of Corrections - Mountainview Youth Correctional Facility for the period July 1, 1993 to June 30, 1995.

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. However, we did note areas where internal controls should be strengthened to reduce the risk of error or misuse of funds. We also found areas where operating costs could be reduced. Details of the findings and recommendations are included in our report.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section 1.6 of the State Constitution and Title 52 of the New Jersey Statutes.

Richard L. Fair
State Auditor
July 10, 1996

Department of Corrections
Mountainview Youth Correctional Facility

Scope

We have completed an audit of the Department of Corrections - Mountainview Youth Correctional Facility for the period July 1, 1993 to June 30, 1995. Our audit included financial activities accounted for in the state's General Fund and the facility's nonappropriated accounts.

Total expenditures of the agency during the 24 month audit period were $78.8 million. Revenue of the agency consisted of $155,300 for the inmate work release program. The primary responsibility of Mountainview Youth Correctional Facility is to provide custody, discipline and training for males with both intermediate and State prison sentences who have a minimal history of previous commitment to correctional institutions.

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 1.6 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 and 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 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 populations were analyzed and transactions were selected based on auditor judgment.

To ascertain the status of findings included in our prior reports, we identified corrective action, if any, taken by the agency and walked through 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 objectives of the agency, were reasonable, and were properly recorded in the accounting systems. In making this determination, we noted one area where we believe operating costs could be reduced. We also noted certain significant internal control weaknesses and matters of compliance with laws and regulations that merit management's attention. In addition, we found that the agency has resolved the significant issues noted in our prior report.

Details of our findings and recommendations follow.
Internal Controls - Purchasing and Receiving

Management is responsible for establishing an internal control structure that will safeguard assets from loss or irregularity. Our review of purchasing procedures disclosed that persons responsible for ordering goods and services also accept delivery and acknowledge receipt of those same goods and services. In addition, certain inventoried items remain in the sole custody of the same person, causing an additional, larger weakness. This lack of segregation of duties presents a potential for loss in that there is no independent source to verify that the goods or services ordered have been provided or are safeguarded.

We also noted that departmental Requisition to Purchase forms were not always used and receiving reports were not always prepared and forwarded to the business office to support vendor payments as called for by departmental policies. By not complying with departmental policies, the facility creates an environment where errors, omissions, or wrongdoings could occur and remain undetected in the records.

Recommendation

We recommend that the facility’s management establish a system to segregate the purchasing, receiving and inventory functions. We also recommend that management reinforce to staff the importance of complying with the departmental policies on requisition to purchase forms and receiving reports.
**Time Overlap**

A state employee at the Garden State Reception and Youth Correctional Facility was also a vendor providing per hour compensated personal services at the Mountainview Youth Correctional Facility. Our analysis of bi-weekly time sheets and vendor invoices revealed numerous occurrences where hours worked reported under each position overlapped. Apparently this individual was charging time to a position where they were not present and were therefore not eligible for salary reimbursement. It is essential that management at both facilities develop a timekeeping procedure that will prevent such instances of overpayment from occurring. Our review noted time overlap of 178 hours totaling $2,919 between July 1993 and May 1995. This matter was brought to the attention of the internal affairs unit of the Department of Corrections.

**Recommendation**

We recommend that management at both facilities develop procedures that will verify attendance for both employees and vendors providing per hour compensated services. We also recommend that the internal affairs unit conduct an investigation and the department take appropriate disciplinary action including recovery of improperly paid amounts.
Operating Economies - Overtime

The facility follows a union contract agreement which allows all correctional officers to receive one-half hour per day of overtime compensation in which the officer cannot leave his/her post until relieved by an incoming officer. Our review of the daily work schedules disclosed that 52 custody officer positions are not relieved by an incoming shift. Because the Department of Corrections is governed by the current union contract provisions, we estimate unnecessary overtime costs to be approximately $202,000 per year.

Recommendation

We recommend that during future contract negotiations consideration be given to eliminating the overtime paid custody positions which are not relieved by an incoming shift.