New Jersey State Parole Board

July 1, 2004 to August 25, 2005
The Honorable Richard J. Codey  
Acting Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Albio Sires  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the New Jersey State Parole Board, for the period of July 1, 2004 to August 25, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
October 12, 2005
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New Jersey State Parole Board

Scope

We have completed an audit of the New Jersey State Parole Board (SPB) for the period July 1, 2004 to August 25, 2005. The audit included financial activities accounted for in the state’s General Fund.

The primary purpose of the SPB is to determine eligibility for parole and supervise offenders in the community in ways that facilitate appropriate and effective offender re-entry. Total expenditures of the SPB during fiscal year 2005 were $84.2 million. The major components of expenditures were payroll and grants-in-aid payments to third party providers.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the parole board’s programs, were reasonable, and were recorded properly in the accounting systems.

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 board. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We read the budget message, reviewed financial trends, and interviewed state parole board personnel to obtain an understanding 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. Transactions were judgmentally selected for testing.

**Conclusions**

We found that the financial transactions included in our testing were related to the state parole board’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted an internal control weakness meriting management’s attention.
Third Party Contracts

In an effort to reduce costly prison admissions and to provide appropriate and effective interventions to offenders while on parole, the SPB contracted with third party providers at a cost of $7.8 million for fiscal year 2005 to operate ten Day Reporting Centers (DRCs). DRCs provide a variety of services and levels of supervision to parolees. Contractors are paid a per diem rate for each day that a parolee is assigned to their program.

Bid specifications require each contractor to maintain a financial management system that will provide accurate, current, and complete disclosure of the financial results of each program and contract. However, the SPB has not requested information on the financial results of each DRC to determine the reasonableness of the per diem rates.

We recommend that the SPB request the financial results of each DRC and perform a cost analysis to determine if the per diem rates are reasonable.
October 7, 2005

Mr. Thomas R. Meseroll
Assistant State Auditor
Office of the State Auditor
PO Box 067
Trenton, NJ 08625-0067

Dear Mr. Meseroll:

We have reviewed the audit report of the New Jersey State Parole Board for the period July 1, 2004 to August 25, 2005 and welcome this opportunity to comment.

Third Party Contracts

Recommendation

We recommend that the SPB request the financial results of each DRC and perform a cost analysis to determine if the per diem rates are reasonable.

Response

The State Parole Board agrees that financial results of third party contractors should be reviewed periodically to determine the reasonableness of per diem rates. The agency is in the process of implementing an enhanced contract audit process that incorporates fiscal, as well as programmatic, monitoring visits and desk reviews of Day Reporting Center (DRC) and other third party contracts. As part of this process, updated financial reports will be requested from contractors at least annually. Financial results of each program will be reviewed against budget information submitted in bid proposals in order to evaluate the reasonableness of per diem rates.

Sincerely,

Donald F. Weinbaum
 Acting Chief, Fiscal and Administrative Services

c: John D'Amico, Jr., Chairman
Michael Dowling, Executive Director
Edward Bray, Acting Deputy Executive Director
Kevin McHugh, Director, Community Programs