New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Department of Law and Public Safety
Juvenile Justice Commission
New Jersey Training School for Boys

July 1, 2003 to October 31, 2005

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
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 Law and Public Safety, Juvenile Justice Commission, New Jersey Training School for Boys for the period of July 1, 2003 to October 31, 2005. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
April 18, 2006
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>1</td>
</tr>
<tr>
<td>Objectives</td>
<td>1</td>
</tr>
<tr>
<td>Methodology</td>
<td>1</td>
</tr>
<tr>
<td>Conclusions</td>
<td>2</td>
</tr>
<tr>
<td>Findings and Recommendations</td>
<td></td>
</tr>
<tr>
<td>Optical Lens Program</td>
<td>3</td>
</tr>
<tr>
<td>Purchasing Procedures</td>
<td>4</td>
</tr>
<tr>
<td>Internal Control Weaknesses</td>
<td>6</td>
</tr>
<tr>
<td>Unclaimed Property</td>
<td>7</td>
</tr>
<tr>
<td>Auditee Response</td>
<td>9</td>
</tr>
</tbody>
</table>
Department of Law and Public Safety
Juvenile Justice Commission
New Jersey Training School for Boys

Scope

We have completed an audit of the Department of Law and Public Safety, Juvenile Justice Commission, New Jersey Training School for Boys (NJTSB) for the period July 1, 2003 to October 31, 2005. Our audit included financial activities accounted for in the state’s General Fund and off-line accounts maintained on the Juvenile Information Management System (JIMS).

The primary responsibility of the New Jersey Training School for Boys is to provide custody, care, and treatment of juvenile offenders who have been committed by the juvenile courts to reside in a state institution. The average daily population during the audit period was approximately 300. Annual General Fund expenditures of the facility were $29 million of which $24 million represents payroll expenditures. Revenues, primarily from the supply of eyeglasses made for the Department of Corrections, were $115,000. The off-line accounts had receipts and disbursements of $350,000 during calendar year 2004.

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.

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 implemented by the Department of Law and Public Safety and the Juvenile Justice Commission. 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 also reviewed financial trends and interviewed NJTSB personnel to obtain an understanding of the programs and the 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. Sample populations were sorted and transactions were judgmentally selected for testing.

Conclusions

We found that 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 internal control weaknesses, matters of compliance with laws and regulations, and opportunities for cost savings meritng management’s attention.
Optical Lens Program

The optical lens program at NJTSB provides residents the opportunity to obtain a vocational education and develop skills which could be utilized upon their release. In addition, the program provides eyeglasses to the Department of Corrections for inmates and provides safety glasses to the Department of Environmental Protection at a reasonable cost. Cost savings to the state could be increased by offering this service to other state departments and programs.

Our contact with the Department of Human Services revealed the following:

- Ancora Psychiatric Hospital informed us that the Medicare program will cover the cost of one pair of eyeglasses every two years for their residents while the state must fund any additional purchases. The average cost of their eyeglasses is $92.
- New Lisbon Developmental Center is under contract where the average cost of eyeglasses is $120 and repairs are made to damaged eyeglasses for $65.

We found that eyeglasses are produced by NJTSB at an average cost of $25 and there is no charge for subsequent repairs. Based on this information, other entities could attain 75 percent reductions in eyeglass costs and 100 percent savings in repairs.

In addition to substantial savings to those who participate, the utilization of NJTSB by other departments and programs would provide more opportunities for NJTSB residents to develop skills that may enhance their future.
Recommendation

We recommend the NJTSB contact departments and programs that may benefit from the optical lens program and establish pilot programs for those who choose to participate.

Purchasing Procedures

Pursuant to N.J.S.A. 52:25-23, the Department of the Treasury, Division of Purchase and Property may delegate certain purchases to state agencies. These purchases are referred to as Direct Purchase Authorizations (DPA). The division has implemented Circular Letter No. 00-13-DPP (PC-23I) which establishes policies and procedures that agencies must adhere to when making DPA purchases. Our review found that NJTSB is not complying with these requirements.

A DPA purchase is defined as a non-recurring, one-time purchase transaction that cannot be procured through a state contract, the state Distribution and Support Services (DSS), the Bureau of State Use Industries (Deptcor), or the Central Non-profit Agency (CNA) and that does not exceed the DPA threshold of $25,000 in anticipated fiscal year volume of the item or service in question. We analyzed expenditures per the New Jersey Comprehensive Financial System and found that 47 percent of the purchase transactions during fiscal year 2004 were processed as DPA and amounted to more than $1 million. Our fiscal year 2005 analysis found that 53 percent were DPA and amounted to more than $1.1 million.

This activity included vendors utilized by the NJTSB Food Service unit. One vendor accounted for 57 purchases totaling $198,000 in fiscal year 2004 and 72 purchases totaling $284,000 in fiscal year 2005. Another vendor
accounted for 56 purchases totaling $170,000 in fiscal year 2004 and 28 purchases totaling $122,000 in fiscal year 2005. The majority of these purchases were available through state sources. We further noted that, in addition to the use of non-contract vendors, the Food Service unit initiates the procurement of goods, receives shipments, and has no automated inventory system. These occurrences further weaken internal controls.

The circular letter also states that three telephone quotations are required for all DPA transactions over $500 and up to $12,500 while sealed written quotations or signed telefax quotations are required for all DPA transactions over $12,500 and up to $25,000. Our sample noted 22 of 35 instances tested where quotes were inadequate or could not be located. The circular letter also states that sole source justification is required when only one source can provide the item or service. Our sample noted nine of nine instances tested where such justification could not be provided. Another recurring weakness in regards to expenditures was found in 22 of 52 sample items where there was a lack or inadequacy of receiving reports.

**Recommendation**

We recommend:

- NJTSB comply with Circular Letter No. 06-06-DPP, which has superseded Circular Letter No. 00-13-DPP (PC-231), and only make DPA purchase transactions if the item or service is not available through state sources and falls within the dollar threshold,

- NJTSB obtain required quotations and, when applicable, document sole source justifications for DPA purchase transactions, and
- the duties of procurement and receipt of goods and services be segregated throughout the facility, inventories be maintained, and receiving reports be completed in detail.

**Internal Control Weaknesses**

Our analysis of off-line account activity maintained on the Juvenile Information Management System revealed questionable cost/sales ratios in regards to the Campus Shop, a vocational education program that sells food and beverage items to employees and designated residents. Although a 15 percent mark-up is applied to the menu items, our calculations showed several months where receipts were well below expectations. During the period from September 2004 to April 2005, reported receipts were $6,000 below expected receipts of $33,000. Positive variances have occurred after April 2005 as management has had many food items supplied by the Food Service unit at no cost to compensate for these shortfalls.

As of April 1, 2003, cash was not to be accepted at the Campus Shop. Campus Shop vouchers were designed as a compensating control and were only available at the Business Office. As of July 10, 2003, these vouchers were instead sold at the Campus Shop. On a daily basis, cash receipts along with a listing of corresponding vouchers were to be submitted to the Business Office for deposit and recordkeeping.

- On three separate occasions, our audit staff was able to make purchases without buying a voucher. In all three cases, these amounts were not included as part of those receipts reported on the following day.
- We also found that one employee is allowed to pay with cash due to the high dollar amount of his purchases. These purchases, which we were informed, are provided to residents, amounted to almost $3,700 over a six-month period.

- There is no inventory system to monitor inventory balances.

**Recommendation**

We recommend that internal controls be improved by segregating the sale of vouchers, the purchasing function, and eliminating the handling of cash at the Campus Shop. We also recommend that an inventory system be implemented.

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**Unclaimed Property**

N.J.S.A. 46:30B-41.2 states that, where the obligor is a state agency, any property remaining unclaimed for more than one year after it became payable is presumed to be abandoned. In accordance with N.J.S.A. 46:30B-49, reports must be filed by November 1 of each year as of the preceding June 30. NJTSB is not in compliance with this statutory requirement.

Our analysis of the Juvenile Information Management System (JIMS) disclosed some funds maintained in the NJTSB bank account which are designated as unclaimed property. Most of these checks represent the payment of resident trust fund accounts upon discharge. In addition to the $27,000 designated as unclaimed property on JIMS, we determined that there are 642 checks totaling $12,375 outstanding as of June 30, 2005 which were made payable prior to June 30, 2004. This unclaimed property, totaling almost $40,000, was not reported to the Department of the Treasury, Division of Purchase and Property.
Recommendation

We recommend NJTSB comply with N.J.S.A. 46:30B by filing the proper reports and escheating the money to the Department of the Treasury.
April 12, 2006

James B. Patterson, Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 S. Warren Street, P.O. Box 067
Trenton, New Jersey 08625-0067

Re: Audit of the Department of Law and Public Safety, Juvenile Justice Commission, New Jersey Training School for Boys

Dear Mr. Patterson:

Enclosed is the response submitted by the Juvenile Justice Commission to the above referenced audit report.

Thank you for your courtesies in this matter.

Very truly yours,

Carl A. Wyhopen
Deputy Attorney General
Director, Internal Controls

cj
enclosure
c  Thomas J. O'Reilly
    David Matos
    Roseanne Fairbanks
    Salvatore Marcello Jr.

IC 05-04
To: Carl Wyhopen  
Director Internal Control, OAG

From: Sal Marcello Jr.  
Chief Fiscal Officer, JJC

Through: Rosanne Fairbanks  
Director of Administration, JJC

Date: April 11, 2006

Re: Audit Response

Enclosed you will find a response to the audit report for the New Jersey Training School. Please submit this as part of the final audit report. If you have any questions please contact me at 609-341-3020.

Enclosure
April 11, 2006

James B. Patterson
Assistant State Auditor
Office of Legislative Services
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Re: Audit Response

Dear Mr. Patterson:

An audit of the New Jersey Training School (NJTS) was conducted for the period July 1, 2003 to October 31, 2005. The Audit findings revealed some minor issues and recommendations that need to be addressed.

The Optical Lens Program at NJTS provides eyeglasses to the Department of Corrections for inmates and provides safety glasses for the Department of Environmental Protection at a reasonable cost. The audit suggested that the program offer services to other state departments including the Department of Human Services saving the state as much as 75% in eyeglass costs. Mr. Daniel Letizia, the optical laboratory instructor stated his willingness to expand his program, but stated that the current workload for this program is at maximum capacity. The only way to expand would be to add additional staff. The Juvenile Justice Commission (JJC) cannot employ additional staff at this time due to the current fiscal crisis facing the State.

NJTS purchasing procedures were examined and weaknesses were found in the area of direct purchasing authorizations. NJTS food service unit purchasing procedures have been changed from its past practices. The business office has compelled the food service unit to adhere to Circular Letter NO.06-06-DPP. The food service unit must review all state contracts to make sure they are in compliance.
An internal control weakness was discovered regarding the Campus Shop, an off-line account at NJTS. Receipts in several months were below the cost/sales ratio and there was no inventory control in regards to what food is ordered for the Campus Shop and what food is ordered for the Food Service Unit. The NJTS Store Room currently has an automated inventory system. We have planned to use this inventory system for the Food Service Unit. The system is compatible with both departments and only requires a Data Base to be setup for the Food Service Unit. We anticipate having the system up and running within the next year.

Unclaimed property was not escheated to the State in accordance with N.J.S.A. 46:30B-49. The Business office is in the process of completing the appropriate forms to be sent to the department of the Treasury, Division of Purchase and Property in order to report “Unclaimed Property”. A policy is in place to complete these forms and send these funds to the Department of Treasury every six months.

Sincerely,

[Signature]

Salvatore Marcello, Jr.
Chief Fiscal Officer

SM/dw

c: Howard L. Beyer, Executive Director
   Thomas Flanagan, Deputy Director
   Rosanne Fairbanks, Director of Adm.
   Brigite Mitchell-Morton, Director, Resident Care
   James McMillon, NJTSB
   Jack Cuttre, NJTSB