Juvenile Justice Commission
New Jersey Training School for Boys

July 1, 1997 to February 26, 1999

Richard L. Fair
State Auditor
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 Juvenile Justice Commission, New Jersey Training School for Boys for the period July 1, 1997 to February 26, 1999.

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

Richard L. Fair  
State Auditor  
April 9, 1999
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We have completed an audit of the Juvenile Justice Commission, New Jersey Training School for Boys for the period July 1, 1997 to February 26, 1999. Our audit included financial activities accounted for in the state’s General Fund and the facility’s nonappropriated accounts.

Annual General Fund expenditures and revenues for the training school were $27 million and $60,000, respectively. Nonappropriated accounts revenues and expenditures approximated $500,000. The prime responsibility of the training school is to provide the level of care necessary to protect the juvenile offender and the community from harm by providing custodial control and supervision.

The objectives of our audit were to determine whether financial transactions were related to the facility, 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.

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 agency
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. Sample transactions were selected randomly. Other transactions were selected judgmentally.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the facility 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 facility, 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. We also noted that the facility has taken steps to resolve the issues noted in our prior report. Unresolved issues have been updated in this report.
Overtime and special services sheets for supervisors are not being approved.

**Recommendation**

Management should require proper approvals for all payroll expenditures.

**Auditee’s Response**

Any supervisor working a special service assignment will submit special services time sheets to the Assistant Superintendent of the institution for approval. Supervisors who are capable of earning overtime will complete time sheets accompanied by an overtime slip indicating the hours worked and reason for the overtime. The overtime slip will have to be approved by the supervisor’s superior. Overtime and special services time sheets and overtime slips will be reviewed by payroll personnel.

Adequate internal controls over payroll expenditures include a supervisory approval and subsequent review by payroll personnel for reasonableness and allowability. We noted that overtime and special services sheets for supervisors were not being approved by their superiors. These individuals received approximately $30,000 annually of overtime and special service funds without managerial approval.
Operating Efficiencies

A computerized camera could save approximately $20,000.

The facility is required to take pictures of every juvenile offender for security reasons. Currently, this is being done by the instant film method which is expensive and outdated. Best practices would dictate the use of current technology, disk camera and computer method, which would reduce the cost by approximately $20,000 annually and also help the facility become more efficient in the taking and storing of the juvenile offender’s pictures.

Recommendation

Management should upgrade the current method of photographing juvenile offender’s by purchasing a computerized disk camera.

Auditee’s Response

The Juvenile Justice Commission’s Management Information Section has been researching the purchase of a computerized digital camera which will be a part of the new Juvenile Information Management System (JIMS). JIMS is a computerized method of taking and recording inmates’ fingerprints which is intended to be operational by the end of this calendar year. It should be noted that savings gained from negating the purchase of instant film will offset by the purchase of higher quality paper necessary for picture processing.
Purchasing and Receiving

There should be centralized receiving.

As noted in our prior report, management is responsible for establishing internal controls that will safeguard assets from loss or irregularity. Our review of purchasing procedures disclosed a weakness in the segregation of duties between purchasing and receiving. An employee can order goods and services, receive the goods and services, and initiate the payment process. There is no centralized receiving section within the facility. 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.

Recommendation

In order to maintain adequate controls over procurement and expenses, the duties of ordering, receiving and payment should be segregated.

Auditee’s Response

The Training School attempts as much as possible to segregate the request for procurement and expenses from receiving and payment. However, the facility is not in a position to immediately operate a central receiving area. The only existing building suitable for such purpose is in need of extensive renovation and expansion or replacement. In addition, some specialty items, such as food, by their nature must be directly delivered to the user unit.

Since the last audit, a fifteen foot high security fence has been installed around the perimeter of the facility. The fence has only one gate which is continuously staffed and has had an impact on items brought into and out of the institution. Personally owned vehicles are parked outside the perimeter fence. Items brought through the gatehouse must be accompanied by an authorization form signed by the Superintendent or her designee and the Business Manager or her designee. The original form is kept at the gatehouse for comparison with a copy produced by the person removing property. This procedure reduces the risk of unauthorized removal of property which has been delivered.
The Department will work with Training School personnel to determine whether any compensating control for the lack of a central receiving area can be developed.

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**Fixed Assets**

As noted in prior audits, the facility does not maintain fixed asset records as required by Treasury Circular Letters 91-32 and 94-05. These directives require that the facility maintain a fixed asset inventory system, perform an annual physical inventory and inform the Department of the Treasury of any major additions and deletions in order to attest to the perpetual fixed asset records maintained by the Department of the Treasury.

**Recommendation**

Management should comply with Treasury Circular Letters 91-32 and 94-05.

**Auditee’s Response**

The Juvenile Justice Commission (JJC) has adopted a Policy and Procedure regarding inventory and fixed assets to coincide with Treasury Circular Letter 94-05 and 91-32 and the Department of Law and Public Safety Standard Operating Procedure 10-93. In order to implement the Policy and Procedure, the JJC Management Information Section is refining the software that runs the bar code inventory system to better meet the needs of JJC’s inventory and fixed asset requirement. Implementation of the fixed assets and inventory control system is projected to begin in late Spring or early Summer or 1999.