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


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

July 10,2000

Thomas R. Meseroll  
Quality Assurance Administrator
# 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>Expenditures</td>
<td>3</td>
</tr>
<tr>
<td>Time Sheets</td>
<td>4</td>
</tr>
<tr>
<td>Shift Overlap</td>
<td>5</td>
</tr>
<tr>
<td>Building and Grounds</td>
<td>6</td>
</tr>
<tr>
<td>Procurement</td>
<td>11</td>
</tr>
</tbody>
</table>
Juvenile Justice Commission
Juvenile Medium Security Center

Scope

We have completed an audit of the Juvenile Justice Commission (JJC), Juvenile Medium Security Center (JMRC) for the period July 1, 1998 through June 7, 2000. Our audit included financial activities accounted for in the state’s General Fund and the center’s non appropriated funds.

Annual expenditures of the center during the audit period were $19 million and included $1.5 million of expenditures applicable to other organizations within the JJC. The prime responsibility of the center is to provide training, control and rehabilitation for those committed youths who are unable to participate in a less secure setting.

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 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.

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, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and
interviewed center personnel to obtain an understanding of the programs and the internal controls.

A non statistical 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 randomly and judgmentally selected for testing.

To ascertain the status of findings included in our prior report, we identified corrective action, if any, taken by the center 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 center’s programs, were reasonable, and were recorded properly in the accounting system. We also found that the center has resolved the significant issues noted in our prior report.
Expenditures

Expenditures of $1.5 million should be recorded as costs of other JJC organizations.

There are 301 employees who work at either the male facility, the female secure unit, or the juvenile boot camp. We identified 29 employees who were paid from JMSC’s payroll accounts during 1999 who did not work at any of the center’s three locations. These individuals included 20 custody employees who worked at another juvenile facility and nine parole officers who worked for the JJC’s after care program. Total expended from the center’s payroll accounts during 1999 for these employees was $1.2 million. We identified an additional $260,000 in annual non-payroll expenditures for medical services to inmates of another juvenile facility. The annual cost of operating the JMSC is therefore overstated by $1.5 million.

Recommendation

We recommend the JJC request that all positions be properly aligned with the organizations where the individuals actually work and that medical services be expended from the proper facility’s appropriations.

Auditee’s Response

The Office of Management and Budget (OMB) established the 20 custody employees mentioned in the Juvenile Medium Security Facility (JMSF) salary account when the custody staff of the Juvenile Justice Commission (JJC) increased by 60. These officers actually work at the New Jersey Training School (NJTS). The JJC fiscal staff appropriately realigns these salary expenditures during the closeout of the fiscal year. For FY00, JJC had requested a realignment of these positions to the NJTS. However, OMB recommended that no action be taken this fiscal year because of planned downsizing at NJTS in FY01 wherein 22 officers will be reallocated out of NJTS. At that time, JJC will properly align all positions and officers.

The nine parole officers mentioned in the finding are assigned to the aftercare program involving boot camp graduates. Therefore, they are a legitimate salary expense of JMSF.
Appropriations for medical expenses have always been disproportionate between NJTS and JMSF. Once the appropriations have been made, it has proved cumbersome to attempt to move appropriations across organization codes which requires Office of Legislative Services (OLS) approval. In FY01, when the plan to downsize NJTS and reallocate juveniles to the JMSF Campus phases in the medical expenses should then more proportionately match the juveniles located at each facility.

Rubber stamps should not be used to sign time sheets.

Civilian employees report their regular time and their overtime on a weekly sign-in sheet which summarizes the hours worked each day. These reports are to be signed by the employee, the timekeeper and the unit supervisor. They are used by the payroll unit as the basis for the biweekly and supplemental payrolls and to post leave time taken. We noted that rubber stamps were used in two of the center’s units by either the timekeeper or the supervisor. Further more, in one of these units, a stamp bearing the supervisor’s signature was used to sign in for employees, negating the purpose of the weekly sign-in sheets. Since these stamps can be accessed by more than one person, there is no assurance that there is proper segregation of the timekeeping and approval functions.

Recommendation

We recommend the center discontinue the practice of using stamped signatures on the weekly sign-in sheets and destroy existing signature stamps.

Auditee’s Response

Rubber stamps are no longer being utilized regarding time sheets. This will ensure proper segregation of the timekeeping and approval functions.
Shift Overlap

According to the union contract, all custody officers receive twenty minutes per day in overtime compensation for a shift overlap because they cannot leave their post until relieved by an incoming custody officer. Juvenile 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. Shift overlap overtime costs at the JMESC are $375,000 annually.

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 facility by changing officers’ schedules. The second shift would 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 would 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 36 percent reduction in shift overlap costs, saving $135,000 per year.
Below we have illustrated a sample schedule with the average number of juvenile correction officers assigned to each shift.

<table>
<thead>
<tr>
<th>Shift</th>
<th>Hours</th>
<th>Hours Paid</th>
<th>Positions</th>
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</thead>
<tbody>
<tr>
<td>1st</td>
<td>6:00 am - 2:00 pm</td>
<td>8 hrs. reg. time</td>
<td>48</td>
</tr>
<tr>
<td>2nd</td>
<td>1:40 pm - 9:40 pm</td>
<td>8 hrs. reg. time</td>
<td>34</td>
</tr>
<tr>
<td>3rd</td>
<td>9:20 pm - 6:20 am</td>
<td>8 hrs. reg. time</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td></td>
<td>and 1 hr. OT</td>
<td></td>
</tr>
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</table>

**Recommendation**

We recommend the JJC review this proposed schedule modification and present it at the next contract negotiations with custody officers.

**Auditee’s Response**

While this recommendation may save funds for the JJC and the State, the plan is not feasible unless the Office of Employee Relations and union representatives agree to this contractual change. Currently the contract for Correction Officers includes a 20 minute overlap period. Any change to this recommendation would have to be negotiated during the contract negotiation period.

Additionally, the hours as recommended (shift times) may impact negatively on the education and other program schedules established in the facilities.

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**Buildings and Grounds**

The Edward R. Johnstone Training and Research Center, which was closed by the state in 1992, is located adjacent to the Juvenile Medium Security Center in Bordentown, New Jersey. The site was the NJ Manual and Industrial Training School for Colored Youths until 1955 and is listed in the National Register of Historic Places. Federal regulations protect registered historic places and require responsible agencies to seek ways to avoid deterioration and neglect (36 CFR 800.1) and provide standards for the rehabilitation of registered sites (36 CFR 68). The
center requested and was appropriated $700,000 annually to stabilize the school’s unoccupied buildings by maintaining them at a minimum temperature during the winter months and for minor repair projects. The amount appropriated to the center is not sufficient and the unoccupied buildings are beginning to deteriorate. We observed that some of the unoccupied buildings show signs of adverse effects caused by the weather and interior water damage is visible. Further damage and delay could prove very costly as rehabilitation efforts must comply with federal regulations.

The Administration Building is beginning to show signs of deterioration to the tower and the wooden columns.
Water damage to wooden floor panels in the Vocational Building
Water damage to ceiling panels in the Vocational Building
We also observed fixed assets within the unoccupied buildings that are not being used and should be disposed of as surplus property in accordance with applicable circular letters. We noted items such as x-ray and dental equipment, stoves, pianos, cold storage lockers and other kitchen equipment that appeared to be in working condition. Abandoned records were also observed and should be reviewed to determine if they should be archived or disposed of in accordance with state regulations.

**Recommendation**

We recommend the JJC work with the appropriate state agencies to determine the best approach to preserve the buildings and grounds of the Edward R. Johnstone Training and Research Center in accordance with federal regulations. An inventory of abandoned fixed assets and records should be taken and these items should be disposed of in accordance with surplus property and state records retention procedures.

**Auditee’s Response**

Based on the Federal Regulations for the maintenance of the historic Johnstone Campus buildings, the JJC has been requesting $160,000 for the past three fiscal years in the Capital Construction budget. Although this fund has never been appropriated, it will be requested in FY02 as a higher priority project.

Current renovations on the Campus include the Hayes and Laundry buildings. The oil and gas conversion project for the Gregory, Rice, Administration, Vocational and Food Service buildings will provide individual boilers to these buildings at a cost of $1.3 million from the Department of the Treasury’s Energy Fund. The oil to gas conversion is anticipated to be complete within two or three years.

The staff at the Johnstone Campus, working with the various units within the JJC, will complete an inventory of fixed asset items stored within the unoccupied facilities at the Johnstone Campus.
As items are inventoried, their usefulness to the JJC will be determined and if possible, be put into useful service within the JJC. Should the JJC determine an item has no useful purpose within the JJC, it would be disposed of in accordance with State surplus property procedures and regulations.

The staff at Johnstone Campus will undertake the cataloging of the abandoned records at the Johnstone Campus. Once this cataloging is completed, the records will be properly archived or disposed of in accordance with State record retention procedures and regulations.

Due to the scope of effort required to complete the above tasks, it is anticipated that this project will require 12 to 18 months to be completed.

* * *

**Procurement**

Treasury procurement regulations should be followed. State Treasury Circular Letter 98-18-DPP (PC-23H) defined Direct Purchasing Authorization (DPA) as a purchase transaction that cannot be procured through one of the following four contracting methods: a state contract, the State Distribution and Support Services Center, the Bureau of State Use Industries, or the Central Non-Profit Agency / Access NJ. The circular also prohibits dividing purchases to circumvent the dollar limits imposed.

In our test of DPA purchases, we noted the following specific issues:

- JMSC used non-contract vendors to purchase items that were available through state sources or contract vendors.

- Recurring purchases were divided to bring them under the DPA thresholds that would have required competitive bidding.
Higher costs were incurred by the center for purchases of unreasonable items such as filet mignon, veal cutlet, and extra jumbo shrimp.

Additionally, the center purchased hand tools under a state contract that were available at similar quality from another contract vendor at a significantly lower price. These purchases occurred due to the center’s failure to scrutinize purchase requests.

In 27 percent of our tested expenditures, all approval levels were applied to the accounting system by one employee. Proper internal control dictates that the entering and approval functions be performed by different employees.

**Recommendation**

We recommend JMSC require employees involved in the procurement process to make every effort to secure items through contract vendors and state sources prior to utilizing its DPA. This process should include determining if the purchase is necessary and reasonable. Also, the entering and approval levels should be segregated for all transactions.

**Auditee’s Response**

Purchase orders will be better scrutinized regarding the purchasing of non-contract items which are available through State sources or contract vendors.

In the future, more efficient planning of fiscal outlays will ensure the required competitive bidding process is followed.

The purchasing of unreasonable food items will cease immediately. These items were purchased for the Stabilization and Reintegration Unit (boot camp) for various resident graduations when various dignitaries were in attendance.

Purchase orders will be better scrutinized in the future as to the availability of contract items of similar quality at a significantly lower price from another
contract vendor. This practice will ensure a cost savings for the center.

Effective immediately, the entering and approval functions of all procurements will be performed by two or more employees. This segregation of duties will ensure proper internal controls are being utilized.