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

Department of Law and Public Safety
Juvenile Justice Commission
Juvenile Medium Security Center

July 1, 2005 to June 30, 2008
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, Juvenile Medium Security Center for the period of July 1, 2005 to June 30, 2008. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells
Assistant State Auditor
October 23, 2008
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Scope

We have completed an audit of the Juvenile Justice Commission (commission), Juvenile Medium Security Center (center) for the period July 1, 2005 to June 30, 2008. The commission is considered in-but-not-of the Department of Law and Public Safety. Our audit included financial activities accounted for in the state’s General Fund and the center’s non-appropriated funds.

Established in 1995 the three primary responsibilities of the commission are the care and custody of juvenile offenders committed to the agency by the courts, the support of local efforts to provide services to at risk and court involved youth, and the supervision of youth on juvenile parole.

The Juvenile Medium Security Center is comprised of the three secure facilities and two residential community homes. In addition, prior to March 2007 transactions for a commission facility located in Tabernacle were administered through the center. Currently those transactions are administered by the commission’s central office. Annual expenditures of the center averaged $39.0 million for fiscal years 2006 and 2007.

Objectives

The objectives of this 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 dated July 10, 2000.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section I, 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 Department of the Treasury, 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 and reviewed financial trends. Agency personnel were interviewed to obtain an understanding of the operations and the internal controls of the center.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions concerning the validity of transactions as well as compliance with the provisions we documented during our planning. Sample populations were sorted and center records were 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 performed tests to determine if the corrective action was effective.

Conclusions

We found significant deficiencies in the recording of financial transactions included in our testing. We identified $2.2 million of expenditures which should have been charged to other programs within the Juvenile Justice Commission. Thus these expenditures were not related to the center’s operations, were not reasonable, and were not recorded properly in the accounting systems. In addition, the commission has not complied with the other issues previously reported. The historic buildings have continued to deteriorate and tests of the procurement process resulted in an unacceptable error rate.
Procurement

The State of New Jersey, Department of the Treasury Circular Letter 06-16-DPP defines a Delegated Purchasing Authority (DPA) purchase as a purchase transaction that cannot be procured through one of four primary contracting methods: a state contract, the State Distribution and Support Service Center (DSS), the Bureau of State Use Industries (DEPTCOR) or the central non-profit agency CAN/ACCESS NJ (CAN).

In addition, the circular letter delineates the approved procedures by dollar level and prohibits dividing purchases to circumvent the dollar limits imposed.

In our testing of center purchases, we noted the following specific issues.

- The center used non-contract vendors to purchase items available through state sources or contract vendors. We were provided some memorandums purported to justify deviation from the state sources/contract vendors citing the inferior quality of their products; however, no formal complaints were ever filed by the center with either state contract vendors or the Bureau of State Use Industries as to the inferiority of their products.

- Recurring purchases were divided to bring them under the DPA thresholds that would have required competitive bidding.

- The procedures section of the circular letter details that all DPA procurements require vendors to provide Ownership Disclosure Forms, Affirmative Action Employee Information Reports, MacBride Principles Certification, and provide a Business Registration Certificate. None of these forms were obtained by the center.
- The current process allows the receiving unit to determine needs, obtain vendors, receive goods, and fill supply requests. There is no inventory of warehouse goods except for canteen items sold to the residents. As a result the center has no independent basis to ensure that orders were complete, to monitor inventory or to identify any misappropriation of goods.

**Recommendation**

We recommend the center comply with the procurement procedures as outlined in Circular Letter 09-03-DPP which superseded 06-16-DPP. Also, the center should implement inventory procedures to provide for monitoring of consumable assets.

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**Expenditures**

The previous audit identified 29 employees paid from the center’s payroll accounts that worked at other commission facilities. In addition, $260,000 in medical services for juveniles of another commission facility were expended from the center’s accounts.

Currently there are nine custody officers and three civilians working at the New Jersey Training School for Boys (NJTSB) paid from the center’s payroll accounts. The total expended from these payroll accounts during calendar year 2007 for these employees was $798,327. In addition, we noted that the commission continues to expend funds for expenditures attributable to other commission facilities. A sample test of center expenditures which were generated by the commission’s central office noted at least $1.4 million of NJTSB expenses paid through the center’s appropriations. The Appropriation Act contains provisions allowing agencies some budget flexibility through the use of a transfer of appropriation. Depending upon the dollar amount
these transfers may require approval of the legislative budget office. By paying the expenditures directly from the center’s appropriations the commission is circumventing this approval provision. The operational costs at the center and the NJTSB are overstated and understated, respectively.

In addition to the issues involving expenditures crossing organizations, we further noted the use of Special Purpose Appropriations within the center for normal operation expenses. The center’s fiscal year 2009 appropriation has only one special purpose account remaining thus greatly reducing the risk that funds will be utilized for expenses not originally intended by the Legislature.

**Recommendation**

We recommend the commission request that all expenditures be properly charged to the organizations where the individuals actually work. In addition, the commission should seek to request budgets that are aligned with the true cost of operations of the facilities and transfers should be utilized where necessary to comply with the appropriation act.

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**Buildings and Grounds**

The Edward R. Johnstone Training and Research Center, which was closed by the state’s Department of Human Services in 1992 is located adjacent to the Juvenile Medium Security Facility. Turned over to the Juvenile Justice Commission in 1996, the former research center is now the campus for the commission’s female secure facility as well as two residential community houses for females. In addition, the business office, maintenance department, receiving section, food services, and some central office personnel are located on these grounds. Prior to its use as a research center the grounds
served as the site of the NJ Manual Training and Industrial School for Colored Youths (MTIS) until 1955. In 1997 the MTIS was entered into the New Jersey Register of Historic Places and in 1998 was placed in the National Register of Historic Places. Currently a number of these buildings remain wholly unoccupied, while some are partially in use. An annual special purpose appropriation is provided to maintain the buildings at a minimum temperature and to provide for some minor repairs. Since the prior audit the amount provided has ranged from $702,000 to its current $687,000.

The previous audit cited various federal regulations governing responsible agencies to seek ways to avoid deterioration and neglect while providing standards for the rehabilitation of registered sites. However, the buildings were showing signs of deterioration due to the inadequacy of the minimum appropriation. In addition, the audit observed assets no longer in use that required proper disposal and abandoned records. The commission responded that they were seeking funds from their capital construction budget, and they were in the process of renovating heating systems within a number of buildings. Also they would address the assets and abandoned records for proper disposition.

Audit observation of the current conditions noted some work has been accomplished since the previous audit. The building that served as an auditorium/gymnasium/kitchen has a newer roof and gutter/leader system. Also the Vocational Building that currently serves as the receiving warehouse had a new access door installed as well as some floor repair. However, there remain significant issues regarding the overall condition. The wooden pillars, tower, and roof of the Administration Building continue to deteriorate. We observed broken windows on various levels that further expose the buildings to damage from weather and pests. Ceiling damage depicted in the prior report remains unrepaihed. The current
resolution to those issues is to restrict access to those portions of the building. Recently a steam pipe providing heat to the Vocational Building as well as two other historic buildings which are not in use ruptured. This will likely force the receiving unit to relocate and subject the three historic buildings serviced by this line to the risk of winters with no heating service. Finally, we did not observe any significant assets remaining as previously documented; however, the commission continues to use portions of the Vocational Building to store boxes of documents dating as far back as fiscal year 1999.

**Recommendation**

We recommend that the commission’s facilities unit consider contacting the Department of the Treasury’s, Division of Property Management and Construction to develop a strategy to address the usefulness and historical preservation of the buildings. In addition, the commission should seek input from the New Jersey Historic Trust located within the Department of Community Affairs.
October 20, 2008

Stephen M. Eells, Assistant State Auditor  
Office of Legislative Services  
Office of the State Auditor  
125 S. Warren Street, PO Box 067  
Trenton, New Jersey 08625-0067

Dear Mr. Eells:

Enclosed is the corrective action plan to the audit report of the Juvenile Justice Commission, Juvenile Medium Security Center (JMSF).

Please include this document with your release of the audit to the Governor and the Legislature.

Very truly yours,

[Signature]
Daniel W. Foster,  
Administrator

DWF:RWK:sc  
Enclosure

c: Anne Milgram, Attorney General  
Gurpreet Singh, Chief of Staff  
Shavar Jeffries, Assistant Attorney General  
Valeria Lawson, Executive Director, Juvenile Justice Commission  
Ronald Kraemer, Deputy Director, Office of the Attorney General
October 15, 2008

Office of Legislative Services
Office of the State Auditor
125 South Warren St.
Po Box 067
Trenton, NJ 08625

Dear Mr. Eells:

An audit of the Juvenile Justice Commission, Juvenile Medium Security Center (JMSF) was conducted by the Office of Legislative Services. Findings were cited in the audit report that need to be addressed.

**Audit Finding:** The Center is not complying with Treasury procurement regulations dealing with Delegated Purchasing Authority (DPA). The recommendation is to comply with Circular Letter 09-03-DPP and implement inventory procedures of consumable assets.

**Corrective Action:** As of October 9, 2008 JMSF is in compliance with Treasury Circular Letter 09-03-DPP. The Chief Fiscal Officer of the Commission met with the Business Manager of JMSF to discuss the DPA purchases. DPA purchases will be used only in cases where an item is not available via contract in order to comply with Circular Letter 09-03-DPP.

The Information Technology unit was contacted to implement an electronic inventory system for consumable items. The IT unit is currently working to modify an inventory system to the needs of the warehouse at JMSF.

**Audit Finding:** Expenditures should be properly aligned with their organizations. The recommendation is that all expenditures be aligned to the proper organization and request budgets that are aligned with the true cost of operations.

**Corrective Action:** The audit was completed for the Fiscal Year 2008. In Fiscal Year 2009 the Commission’s budget request to the Office of Management and Budget (OMB) was to properly align the expenditures to the correct organizations. OMB accepted this request and properly aligned the accounts.
Audit Finding: The buildings require a proactive plan to preserve them from further damage. The recommendation is for the Commission to consider contacting the Division of Property Management and Construction to develop a strategy to address the usefulness and historical preservation of the buildings and also seek input from the New Jersey Historic Trust.

Corrective Action: The Commission has requested funds for these buildings through the Capital Commission for several years, and has not received appropriations to complete these tasks. JJC will pursue input from all other avenues including the New Jersey Historic Trust.

The Commission will make every effort to be in compliance with the findings of this audit. All of the above actions will be implemented immediately.

Very truly yours,

[Signature]

Salvatore Marcello Jr. CPA
Chief Fiscal Officer, Juvenile Justice Commission

C: Veleria Lawson, Executive Director, Juvenile Justice Commission
   Rosanne Fairbanks, Director of Administration, Juvenile Justice Commission
   Felix Mickens, Deputy Executive Director, Juvenile Justice Commission
   Linda Thomas Superintendent, Johnstone Campus
   Ronald Kraemer, Senior Executive Service, Department of Law and Public Safety