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

Department of Corrections
New Jersey State Prison

July 1, 2007 to December 31, 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 Corrections, New Jersey State Prison for the period of July 1, 2007 to December 31, 2008. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells
Assistant State Auditor
May 26, 2009
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>Payroll – Shift Overlap</td>
<td>3</td>
</tr>
<tr>
<td>Negative Leave Balances</td>
<td>4</td>
</tr>
<tr>
<td>Monitoring and Efficiency of Constant Observations</td>
<td>5</td>
</tr>
<tr>
<td>Inaccurate Officer Job Codes</td>
<td>8</td>
</tr>
<tr>
<td>Auditee Response</td>
<td>9</td>
</tr>
</tbody>
</table>
Department of Corrections
New Jersey State Prison

Scope

We have completed an audit of the Department of Corrections, New Jersey State Prison for the period July 1, 2007 to December 31, 2008. Our audit included financial activities accounted for in the state’s General Fund. We did not audit inmate medical expenditures since they were included in a separate departmental audit conducted recently by our office. Also, our audit did not include financial transactions from the non-budgeted funds since they are audited by the department’s internal auditors. New Jersey State Prison is the only full maximum-security correctional facility in the State of New Jersey. Their primary responsibility is to provide custody, care, discipline, training, and treatment to approximately 1,800 of the state’s most troublesome adult offenders. Fiscal year 2008 expenditures for the prison were $89.2 million.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the prison’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 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 prison. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of transactions. We also read the budget message, reviewed financial trends, and
interviewed prison 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. Transactions were judgmentally selected for testing.

**Conclusions**

We found the expenditure transactions included in our testing were related to the prison’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control deficiencies involving negative leave balance recoupment, constant watch monitoring, and officer job code accuracy meriting management’s attention. Furthermore, we noted areas involving overtime where departmental costs could be decreased.
Payroll – Shift Overlap

Shift overlap is required to assure proper post coverage and a smooth transition of duties necessary to maintain security during shift changes. Shift overlap was completely eliminated in 2001, but was reinstated in the beginning of fiscal year 2007 at 15 minute increments to improve the safety of staff and inmates. It was reduced to 10 minute increments in the beginning of fiscal year 2009. Shift overlap costs the prison approximately $500,000 annually in overtime for each 5 minute increment.

It is management’s responsibility to implement cost effective procedures to reduce and control overtime. During our analyses of shift overlap we noticed two alternative methods in which shift overlap costs could be significantly reduced.

- First, as recommended in our prior audit reports, the shift start and end times could be adjusted so that all posts and shifts would overlap and overtime would only be incurred on the third shift, where staffing levels are significantly lower when compared to the first and second shifts.

<table>
<thead>
<tr>
<th>Shift</th>
<th>Start</th>
<th>End</th>
<th>Shift Length</th>
<th>Overtime Total</th>
<th>Average Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>6:00 AM</td>
<td>2:00 PM</td>
<td>8 hrs</td>
<td>0</td>
<td>224</td>
</tr>
<tr>
<td>2nd</td>
<td>1:50 PM</td>
<td>9:50 PM</td>
<td>8 hrs</td>
<td>0</td>
<td>176</td>
</tr>
<tr>
<td>3rd</td>
<td>9:40 PM</td>
<td>6:10 AM</td>
<td>8:30 hrs</td>
<td>30 minutes</td>
<td>75</td>
</tr>
</tbody>
</table>

This schedule change would have no effect on security or staff communication. This alternate method of shift overlap scheduling would have saved $380,000 for calendar year 2007 in comparison to the current ten minute overlap practice.
Unnecessary overlap posts should be eliminated.

Recommendation

We recommend management consider implementing the alternative scheduling method to reduce shift overlap costs. Also, management should eliminate overlap posts which are unnecessary.

Negative Leave Balances

The Time and Leave Reporting System (TALRS) credits employees with a full year leave entitlement under the assumption that they are going to work the entire year. However, some employees overdraw their leave balances when they fail to work enough days during the year to earn the time credited. This situation creates a debt which the employee owes the state and which must be recouped in accordance with New Jersey Administrative Code 4A: 6-1.5. If the individual is still employed by the state the debt is usually satisfied by reducing current pay. If their state employment has terminated the debt is sent to the Department of Revenue for collection through the Set-Off of Individual Liability (SOIL) program.

The Payroll Supervisor is in charge of monitoring employee overdrawn balances and applying
appropriate recoupment procedures in a timely manner. We tested all 28 employee accounts with
overdrawn balances for 2007 totaling $56,900 in debt and found 24 of these cases had errors
totaling $42,200. The errors consist of $19,400 which could have been docked from current pay
and $22,800 which should have been submitted to SOIL. Furthermore, 16 of these cases contain
repayment entries to employee leave balance accounts when no repayment was made by the
employee. The total amount of state debt written off through these erroneous entries was $13,700.

Recommendation

We recommend that management closely monitor the effectiveness of staff performing procedures
for employees with overdrawn leave balances and recover any overpayments which may have occurred.

Monitoring and Efficiency of Constant Observations

New Jersey Administrative Code 10A:1-2.2 defines a constant observation as "one minute
interval surveillance of two inmates in adjacent cells by one staff member that shall be conducted
in person or by video monitor when a video monitor provides continuous unobstructed
vigilance of inmates" who are on suicide watch. Through the use of more sophisticated
surveillance technology, the video monitor can now provide continuous unobstructed vigilance
of up to four inmates in adjacent cells. A rule exemption was passed by the Commissioner of
the Department of Corrections to allow one officer to four inmate ratios for constant
observations in July 2008.

The prison averaged 17 constant observation posts per day in calendar year 2007. Since the
officer to inmate ratio increased in July 2008, the prison's average has decreased to 14 constant
observation posts per day. Management needs accurate data to monitor the effectiveness of these
types of posts considering how many are performed on a daily basis. We tested a ten day period during September 2008 of all constant observation posts. A total of 107 posts were identified per the Timepoint System, the Department of Corrections scheduling and leave reporting system. We noted the following exceptions.

- Sixteen officers were not specifically documented as performing a constant observation in the unit log books. Four of these officers were never logged in the unit at all.
- Thirty two inmates’ Emergency Medical Records, documenting time off and on constant observation during a shift, do not match unit log books.
- Per departmental policy, inmate names and state numbers are required to be entered into the comments section of Timepoint for all constant observation posts. From our sample of 107 posts, this information was not identified on 105 occasions.

The lack of proper controls over constant observations led to five unnecessary posts during our ten day period. These posts could have been used to alleviate overtime costs in other areas of the prison. During our audit engagement, the prison developed an updated observation form which is required to be filled out by the officer performing a constant observation for each inmate. The form tracks 15 minute intervals of the inmate’s activity and provides data such as the inmate name, inmate identification number, officer name performing the watch, officer time on and off the watch, and the unit where the watch occurs.

The prison performs constant observations in various units throughout the prison. Within our
Maximizing officer to inmate ratios for constant observations would reduce overtime costs.

A ten day testing period, we noted four separate units where observations were performed. Based on current video configurations, officer to inmate ratios per post were four to one, two to one, or one to one. The two main units where these type of watches are performed are the Stabilization unit and the 1C (general population) unit which are equipped to watch a total of 12 and 4 inmates per shift, respectively. The Stabilization unit provides short-term intensive mental health care to reduce acute symptoms and stabilize an inmate.

We analyzed the locations and counts of inmates per unit and determined the prison could have used 31 less officers on constant observation by maximizing the officer to inmate ratios. Twenty seven of these unnecessary posts could have filled in for overtime hours in other areas of the prison. Within this ten day period the prison could have saved an estimated $10,800 in overtime costs. According to management the prison is unable to maximize these ratios due to a court mandated ruling (C.F. v. Terhune Settlement Agreement, 1999) which prohibits the transfer of specific inmates from a general population unit to the Stabilization unit. Based on our audit, New Jersey State Prison has the capacity to combine the two main observation units into one unit without conflicting with the court ruling.

Recommendation

We recommend that management monitor the accuracy of data it uses to determine the effectiveness of constant observation activity. This should include, but not be limited to, reconciling data to Emergency Medical Records and Timepoint job code entries. Furthermore, we recommend combining the two main observation units within the prison.
Monitoring of officer job codes needs to be strengthened.

Inaccurate Officer Job Codes

The Timepoint system is used to staff shifts and provide payroll information. The accuracy of the data supplied to the Timepoint system and how management utilizes the system to monitor operations are important. Errors and irregularities could result in a misappropriation of funds based on inaccurate data or management’s failure to implement proper reviews or edits of the system. We performed an analysis of job codes per shift from the Timepoint system to determine if any posts that require only a single officer had more than one officer at that post at the same time and which totaled at least nine hours between the two officers. For calendar year 2007 we found 421 posts where this occurred and for calendar year 2008 through September we found 162 posts. The majority of these instances are due to Custody Unit supervisors not communicating officer changes during a shift with the Operations Unit. We judgmentally sampled eight instances from 2008, totaling 15 officers, and determined five officers received overtime payments they were not entitled to. Excessive overtime totaled 22 hours and $1,100 in overpayments. Also, we performed an analysis to determine if any officer was recorded as working at any two job posts at the same time. For calendar year 2008 we found 11 posts where the same officer was at two job codes at the same time. Six officers received 48 hours of overtime overpayments due to these errors, totaling $2,400. The prison has made payroll adjustments to recoup the overtime overpayments from our samples.

Recommendation

We recommend that management monitor the accuracy of the data in the Timepoint system and implement review/edit procedures of the system that would disclose errors or irregularities.
May 20, 2009

Stephen M Eells, Assistant State Auditor
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Dear Mr. Eells,

I have asked our management at our Central Office Complex as well as New Jersey State Prison to provide my office with the actions taken or planned to address the recommendations identified in your audit of New Jersey State Prison (NJSP) for the period July 1, 2007 to December 31, 2008. I do appreciate this opportunity to respond to the findings and recommendations.

**Payroll – Shift Overlap**

Shift overlap is a significant cost to this institution as well as the other correctional facilities throughout the department and is outside the control of our Administrators. The department agreed to consider the shift overlap alternative proposed by the audit staff. Earlier in FY 2007 it was submitted to the Department of the Treasury and the Office of the Governor in this regard. A matter of this type has employee relations and policy considerations in addition to technical budget impacts that require evaluation external to the department. It should be noted that effective July 4, 2008 shift overlap time was reduced to ten (10) minutes and contracts for law enforcement units are under negotiation.

**Negative Leave Balances**

Corrective measures have been implemented by our Human Resources Manager at NJSP. Employees found to have overdrawn balances or payroll errors were provided to our HR manager and his immediate supervisor for review and corrective action. Employees that have left our employment with negative leave balances have been referred to the Department of Revenue for debt collection through the Set-Off of Individual Liability (SOIL) program.
Monitoring and Efficiency of Constant Observations

Enhanced monitoring of housing unit and observation log books has been implemented to ensure that overtime costs for the non-budgeted posts are consistent with the Electronic Medical Records. With regard to the constant observation function you must recognize that NJSP is a maximum security prison and as a result has inmates with classification designations that will not allow their presence in the Stabilization Unit or the ICU Observation. For that reason NJSP has to have observation posts on the Management Control Units, Protective Custody Housing Units and both of the In-Patient male and female units as well as the Out-Patient Mental Health Unit. We agree the closure of the Out-Patient Observation Unit and assignment of all inmates requiring Constant or Close watch to the Stabilization Unit could result in cost savings. The counsel for the New Jersey Department of Corrections would have to be satisfied that this change would not affect the final outcome of the Settlement Agreement. Presently NJSP is in compliance with the Settlement Agreement for all the male units and is under a paper review. The female mental health units at Edna Mahan Correctional Facility are still under review and as a result NJSP continues to require on officer on overtime to observe the female inmate on constant observation at NJSP.

Inaccurate Officer Job Codes

Management has implemented procedures to disclose errors and reduce overtime costs. This became evident during the Spending Plan Meeting Agenda held on March 31, 2009, which identified a $1,149,178 surplus in the overtime budget for NJSP.

In closing, I would like to thank your audit staff for their continued diligent work and professionalism exhibited during their audit.

Sincerely,

George W. Hayman
Commissioner

GWH:BTH:nlm

c: Lydell Sherrer, Deputy Commissioner
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