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

Department of Corrections
Edna Mahan Correctional Facility
For Women

July 1, 2006 to September 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 Corrections, Edna Mahan Correctional Facility for Women for the period of July 1, 2006 to September 30, 2008. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
Assistant State Auditor  
May 27, 2009
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Department of Corrections
Edna Mahan Correctional Facility For Women

Scope

We have completed an audit of the Department of Corrections, Edna Mahan Correctional Facility for Women for the period July 1, 2006 to September 30, 2008. Our audit included financial activities accounted for in the state’s General Fund. We did not audit transactions or balances of the inmate commissary, trust and welfare funds. These funds were recently audited by the Department of Corrections’ internal audit unit. In addition, we did not audit inmate medical expenditures since this activity was recently audited by our office on a departmental basis.

The prime responsibility of the Edna Mahan Correctional Facility for Women is to provide custody, treatment, and training programs for female offenders ages 16 and older. Fiscal year 2007 and 2008 expenditures for the facility were $45.3 million and $48 million, respectively.

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. We also tested for resolution of the significant conditions noted in our prior report dated September 17, 2002.

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 Department of the Treasury,
and policies of the facility. 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 agency 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 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 agency and performed tests to determine if the corrective action was effective.

**Conclusions**

We found that the 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 certain internal control weaknesses and matters of compliance with State Treasury regulations meriting management's attention. We also found that the agency has resolved some of the significant issues noted in our prior report. Issues relating to the facility overproducing inmate meals have been updated and restated.
State facilities should find a more efficient way to dispose food waste.

**Foodwaste Disposal**

During fiscal year 2007 Edna Mahan Correctional Facility for Women prepared 1.3 million meals for inmates and staff and an additional 2.6 million meals for three other institutions. We reported in our prior audit that the facility disposed a significant amount of food waste daily and that only 30 percent of meal serving logs, used to adjust the daily meal production so as not to overproduce meals, were completed. We recommended that the facility improve their record keeping on the meal serving logs and use them to reduce the meal production to an acceptable level. The facility did not follow our recommendation. Meal logs were not completed for about a year.

Food waste generated from meals was disposed by a contract vendor at a cost of $21,500 in fiscal year 2007 and $22,000 in 2008. We reviewed 23 months of vendor invoices. The vendor picks up an average of 22 tons of food waste monthly, down from 77 tons in 2001 when we conducted our last audit. The decrease in food waste hauled away was partly due to the facility purchasing and utilizing two insinkerators at a cost of $11,000 each. An insinkerator is a garbage disposal grinder. Liquid and solid food waste is placed into the food waste disposer, where it is ground and then, according to the manufacturer, reduced by up to 85 percent of its original volume. We observed performance of one working insinkerator and it seemed to process food waste quite efficiently.

Department of Corrections and other state agencies have been using farmers for food waste disposal for over 20 years. Originally the state sold the food waste to the farmers for profit. Gradually however, fees were eliminated and food waste was donated to the farmers at no charge. Eventually farmers started charging their own hauling fees. In 1997 the Department of Corrections made a request to the Department of the Treasury, Purchase Bureau for a term contract.
due to the extreme increase in the farmer's fees. The contract expired on May 31, 2008. Purchase Bureau management made the decision not to extend or rebid the contract making agencies responsible for determining the most efficient way to dispose of food waste. Justification for the decision included escalating costs, limited competition, and lack of reporting and oversight. Also, the decision was made whereby the state would not pay for a vendor to remove edible plate waste since it was benefiting the vendor by providing food for their hog farms. Despite the Purchase Bureau's decision, agencies are still paying the farmers for waste removal using a Direct Purchase Authority (DPA). During fiscal year 2006 through 2008, the Department of Corrections and eight other state facilities have spent over one million dollars disposing of food waste with farmers.

According to a second quarter 2008 article in Choices, a publication of the American Agriculture Economics Association, "Feed is the largest single cost item for livestock production, accounting for 60 - 70% of the total cost in most years. Although energy, labor, and other inputs have increased, feed cost have increased anywhere from 40 - 60%... in the last two years... rising costs have largely been absorbed by livestock and poultry producers, often with significant financial loss." Although recycling food waste may be an environmentally sound cause, state facilities should not pay farmers over $400,000 annually for the disposal. The rise in commercial feed prices should serve as an incentive for farmers to accept free food waste donations at no or minimal cost to the state.

We asked the Pennsylvania Department of Corrections about food waste disposal at its institutions. We were informed that some facilities use composting while others use pulping machines and insinkers and then dispose of the processed waste with the regular garbage. A number of facilities also use pig farmers; however they are moving away from this method
due to its increasing cost.

**Recommendation**

We recommend the facility research and implement a more cost effective method to dispose of food waste in the future. Consideration should be given to contracting with other food waste recycling companies, composting, investing in additional insinkers or other food waste processing machines or disposing of the food waste with the regular garbage.

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**Gasoline Usage**

Edna Mahan Correctional Facility for Women has a gas pump located on the grounds which is used for facility purposes and by other external agencies. The facility paid a gas supplier approximately $84,000 during fiscal year 2007 and $108,000 in 2008. To monitor the gas usage, the facility requires that an individual pumping gas sign a log sheet for the volume of regular or diesel fuel pumped. The logs are kept in a room ten feet from the pump. There is a padlock on the pump and the key is kept with the log book where anyone can access it.

We reviewed the January 2006 through May 2008 gas pump meter readings and compared them to the log sheet records. There was a 14 percent (14,000 gallons) difference between the log and pump meter readings for regular gas, and 7 percent (660 gallons) difference for diesel fuel. We calculated the replacement value of the unaccounted for gas to be $33,000 for regular and $1,500 for diesel fuel.

**Recommendation**

We recommend that the center strengthen internal controls over record keeping of gasoline usage and limit employee access to the padlock key.
Rental Agreement

In 1982 the Department of Corrections entered into an agreement with Hunterdon County for a lease of state-owned land to build and operate the Solid Waste Transfer Station and Material Recovery Facility on the property of Mountainview Youth Correctional Facility. The agreement was modified in July 1989 and stated that, in lieu of rent for leasing the property, the county will handle all waste disposal from the Edna Mahan and Mountainview Youth Correctional Facilities up to a value of $94,000 per year based upon the fees in effect as of July 1, 1989. Any unused credit in the facilities’ account would accumulate and be carried forward to the next year. The agreement further stipulated that any increase in the fees should result in the direct increase in the credit attributable to the state as additional rent; and that if cost of accepting and handling the waste disposal exceeded the rent and accumulated rent credit, the state should be billed for the excess on a monthly basis.

Although the total waste disposal fees have increased from the original $31.50 to $77.50 per ton, the credit has not been adjusted in accordance with the contract. Mountainview Youth Correctional Facility paid $19,739 in fiscal year 2007 and $9,884 in fiscal year 2008 in waste disposal fees in excess of the credit. If the credit amount had been adjusted, these charges would not have occurred.

We recommend that Department of Corrections enforce the conditions of the existing rental agreement with Hunterdon County. The department should seek recoveries for all overpayments.
Leave Recordkeeping

An adequate system of internal controls requires maintenance of reliable internal records to prevent errors and irregularities from occurring and remaining undetected. We reviewed randomly selected timesheets for 48 employees and noted a lack of supervisory approval for 31 correction officers. In addition, one timesheet was self-approved by a food service employee.

Excessive use or abuse of sick leave results in an ineffective allocation of capital and human resources and unnecessary overtime. Each eligible employee of the facility is allotted 15 sick days annually and may carry forward balances to the following year. According to the DOC Human Resources Bulletin 84-17, “employees who are absent an aggregate of 15 days in a calendar year shall be required to submit a doctor’s verification of illness for all future absences charged to sick leave during that calendar year effective the date of the fifteenth absence”. Proof of illness or injury may also be required when there is a reason to believe that an employee is abusing his/her sick leave. If an employee fails to submit the requisite medical documentation, the employee can be placed in leave without pay status and be subject to disciplinary action.

There were 135 employees (26 percent) who used more than 15 sick days in calendar year 2007 and 13 that used more than 15 days before May 9, 2008. Doctor’s notes were not obtained for 20 of 32 employees tested for these two years.

Recommendation

We recommend the facility comply with its attendance policy.
May 21, 2009

Stephen M. Eells, Assistant State Auditor
Office of Legislative Services
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Trenton, NJ 08625-0067

Dear Mr. Eells,

I have asked our management at our Central Office Complex as well as Edna Mahn Correctional Facility for Women (EMCFW) to provide my office with the actions taken or planned to address the recommendations identified in your audit of EMCFW for the period July 1, 2006 to September 30, 2008. I do appreciate this opportunity to respond to the findings and recommendations.

**Food Waste Disposal**

The Food Service Department was remiss in completing the meal logs on a daily basis as identified in your report. This condition has been corrected and the Food Service Department is maintaining the meal logs as recommended. I would like you to know the department is pursuing a more efficient method of disposal of food waste. We are in the process of acquiring two Organic Waste Decomposition machines which have the potential to breakdown 1,200 pounds of organic waste into a liquid which can be safely disposed of in the sewer or disposal field. Two correctional facilities have been selected as test sites for the machines. If the waste decomposition machines prove to be effective a statewide investment would be considered.

**Gasoline Usage**

As of December 2008, the procedure for refueling vehicles was changed to strengthen controls over dispensing fuel. An inmate detail under the supervision of a Correctional Officer is now responsible for maintaining daily fuel logs and obtaining meter readings of usage at the pumps twice a day. During off hours the key for the fuel pumps is secured at the facilities Center Control. If fuel is needed during off hours, the driver must obtain the key from Center Control, complete a fuel receipt and return the receipt with the key to Center Control. The New Jersey...
Department of Transportation is in the process of issuing a Request for Purchase for a fuel management system which, if awarded, may result in an automated system at EMCFW.

**Rental Agreement**

The Administration of EMCFW as well as the Administration at the Central Office Complex is aware of the need to revise the lease agreement between the New Jersey Department of Corrections and Hunterdon County. The Department of the Treasury, Office of Real Property Management is the State Agency responsible for negotiating the agreement with Hunterdon County. It is our understanding that Hunterdon County has submitted a proposal to the Office of Real Property Management to purchase the property.

**Leave Recordkeeping**

The Administration at EMCFW acknowledges that doctors’ notes were not obtained for a number of employees who used more than 15 sick days in a calendar year. With the continued reduction in staff resources, the ability to monitor compliance in accordance with the policy has become unattainable. As a result, our Office of Human Resources has issued a policy change which has relaxed our sick leave policy and brought it into alignment with the Administrative Code 4A:6-1.4(d). The revised bulletin states an appointing authority may require proof of illness or injury when an employee has been absent on sick leave for an aggregate of more than 15 days in a 12 month period.

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
    Grace Rogers, Assistant Commissioner
    Carmella M. Elmer, Assistant Commissioner
    Kathy Baker, Director Financial Management
    William Hauck, Administrator