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Office of the State Auditor**

**Department of Corrections
Central Office Activities**

July 1, 2005 to December 31, 2006

**Richard L. Fair
State Auditor**

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Enclosed is our report on the audit of the Department of Corrections, Central Office Activities for the period of July 1, 2005 to December 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

A handwritten signature in black ink, appearing to read "Richard L. Fair".

Richard L. Fair
State Auditor
July 9, 2007

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Department of Corrections Central Office Activities

Scope

We have completed an audit of the Department of Corrections – Central Office Activities for the period July 1, 2005 through December 31, 2006. Our audit included financial activities accounted for in the State's General Fund, Supplemental Workforce-Basic Fund, the Body Armor Replacement Fund, and the Correctional Facility Construction Fund. Excluded from our scope were the individual correctional institutions, the Division of Parole, and the financial activities relating to Life Skills Academy and the department's medical contract.

Annual expenditures of the programs were \$170 million. Annual revenues were \$14 million, with the major component being the collection of fines, penalties, and restitution.

The department is responsible for the custody, care, discipline, training, and treatment of persons committed to state correctional institutions, as well as for those individuals under community supervision. The department operates fourteen facilities and one central reception facility. They also have contracts with 24 residential community resource providers.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the department'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 November 26, 2003.

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 Office of Management and Budget, and policies of the department. 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 the department's website, and interviewed personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of 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 judgmentally selected for testing.

Conclusions

We found that the transactions included in our testing were related to the department's program, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted areas where revenues could be increased and costs decreased, activities where management oversight is lacking, and certain internal control weaknesses meriting management's attention. We also found that the agency has resolved four of the significant issues noted in our prior report. Matters related to information technology, accounts receivable, and unclaimed property have been restated in our current report.

Fines, Penalties, and Restitution

The department needs to comply with governing legislation over beneficiary accounts.

Beneficiary accounts are established when a person is convicted of an offense and ordered by the court to pay fines, penalties, and restitution. These orders are recorded by the Administrative Office of the Courts on a Judgment of Conviction and sent to the department. In accordance with the Judgment of Conviction, the beneficiary accounts are established and maintained in the department's offenders' management system (TAG) and are dedicated to the collection and disbursement of fines, penalties and restitution. Once an offender has remitted a payment against the obligation, it is the department's responsibility to locate and mail the payment to the beneficiary. Often beneficiaries change addresses without notifying the department and their checks are returned undeliverable. According to N.J.S.A. 46:30B-41.2, when the obligor is a government entity, any property unclaimed for more than one year after it became payable or distributable is presumed abandoned. During our last two audits we noted that returned monies and monies never sent represented unclaimed funds and we recommended these funds be escheated to the state. Our current audit disclosed that \$996,000 has been unclaimed for more than one year and is as old as six years, and is presumed to be abandoned.

In addition, during fiscal year 2005 a payment was made from this account for a computer upgrade in the amount of \$178,000. We brought this to management's attention and, in fiscal year 2007, they reimbursed the account.

Recommendation

We repeat our previous recommendation that the department escheat to the State Treasurer all restitution monies presumed abandoned in accordance with the statute. In addition, we recommend that the department properly execute their fiduciary responsibility and enforce the controls over the fines, penalties, and restitution accounts to prevent unauthorized expenditures from occurring.

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Accounts Receivable

All mandatory penalties have not been assessed and collected.

According to N.J.S.A. 2C:43-3.3, any person committing a crime on or after January 9, 1997 is to be assessed a \$30 penalty. This penalty is not discretionary and the standard language on every Judgment of Conviction document makes the penalty applicable to every person committing an offense since 1997. These monies are to be deposited into the Law Enforcement Officers Training and Equipment Fund. Our prior audit noted that the penalty was not recorded by the department in all cases. During our current audit, we found that the department had not complied with our recommendation to ensure that penalties are assessed and the condition continues to exist. On March 21, 2006, the department requested an opinion from the New Jersey Office of the Attorney General regarding the assessment of these prior penalties and has decided to take no action until they receive a written response from the Office of the Attorney General.

Recommendation

We repeat our previous recommendation that the department and the Administrative Office of the Courts ensure all applicable Law Enforcement Officers Training and Equipment Fund penalties assessed since 1997 are properly recorded in inmate accounts.

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Judgment of Conviction

Collection efforts are hindered by the Judgment of Conviction documents not being recorded into TAG timely.

As 1,200 inmates per month enter the correctional system, the department's Central Office Reception and Assignment Facility (CRAF) inputs demographic information, while the Central Office Revenue Unit (CORU) is responsible for entering fines, penalties, and restitution. During our audit, we noted that CORU was nine months behind in posting inmates' fines, penalties, and restitution, while CRAF experienced no backlog. Due to this backlog, inmates are behind in satisfying their obligations which prevents beneficiaries from receiving their funds timely. The process of

recording the information from the Judgment of Conviction at two different locations increases the risk that pertinent information may be omitted and go undetected by agency personnel.

Recommendation

We recommend that all information on the Judgment of Conviction be entered into TAG as the inmate enters the correctional system at CRAF. The department should reallocate personnel as needed to CRAF. This would help to decrease the backlog as well as reduce the risk of inmates' obligations not being recorded into TAG.



Parolees' Obligations

Inquiry access to TAG will ensure that parolee obligation payments are allocated timely.

The district parole offices collect fines, penalties, and restitution payments from parolees and post them to the department's offenders management system (TAG) before depositing the funds into a state bank account. The Central Office Revenues Unit (CORU) is responsible for ensuring that funds collected by local parole offices from parolees are properly recorded in the state accounting system. The transactions posted to TAG by the parole offices are summarized monthly and used by CORU to allocate the funds to various accounts. These summaries are not always forwarded by the district parole offices timely. Because CORU cannot access parolee information in TAG, they cannot independently determine how the fines, penalties, and restitution are to be allocated. At the end of fiscal year 2006, there was approximately \$359,000 waiting to be applied to the proper accounts. If CORU had access to parolee information in TAG, they could allocate the funds timely.

Recommendation

We recommend that the Office of Information Technology grant CORU inquiry access to parolee information in TAG so that obligation payments can be allocated timely.



Canine Unit

Management needs to enforce payroll processing and compensation policies for Canine Unit officers.

Each officer in the department's Canine Unit is assigned two canines and is responsible for their daily care. The officers are provided with home kennels, food, and veterinary services for the canines. The Canine Unit's compensation plan states that a work day shall be seven hours of duty with the eighth hour to be used for canine care. During calendar year 2005 the department's nine officer Canine Unit incurred 2,212 overtime hours. Our review of five pay periods in calendar year 2006 for all officers' time records noted the following conditions.

- We found that nine percent of the overtime slips were either not provided, not properly authorized, or did not agree with the overtime recorded. We also noted that 68 percent of leave requests were not provided, and 56 percent of the timesheets reviewed were not properly approved.
- The canine officers occasionally report to the Central Office to complete paper work. These are considered "administrative" work days. On these days there is no need to work more than seven hours. The officers also have days dedicated to training which could also be completed in seven hours. During our audit, we noted that out of 77 training and administrative days charged, officers incurred one hour of overtime on 53 of these days.
- According to the Canine Unit's policy, officers are required to maintain a daily log listing their locations and assignments throughout the day. All entries should be in a time and day chronological order. We noted that one officer does not maintain a log. He has also earned one hour of overtime each day; however, none of the timesheets reviewed were approved, nor were 14 of his overtime slips. This officer was paid the highest

amount of overtime in the department from 2003 through 2005.

- During our review of the Canine Unit's timesheets, we noted that many of the officers record their time when they remove the canines from their home kennels and end their day when they put the canines back in the kennels. This can appear on a timesheet as a 16 hour day; however, not all of that time is compensable. The timekeeper has no way to verify the total hours an officer worked based upon the information on the timesheet. Although the supervisors are responsible for approving timesheets and overtime slips, the officers do not report to the home office often, so the supervisors must depend on the officers' integrity in reporting their time and radioing into the office at the beginning and end of the day. This practice can cause inaccuracies in time reporting and salary payments.

Our review also noted that the Canine Unit has a travel policy which allows for officers to travel to and from institutions during work hours. The policy states that the Central Office in Trenton is the official work station. It also lists the travel times from the Central Office to the other Department of Correction locations and states that the pre-established travel times is included in their work schedule. Officers are regionalized and most often report directly to an institution closest to their home rather than first reporting to the Central Office. When an officer lives closer to the assigned location than to Trenton, he should not be entitled to travel time. We found 14 incidents involving two officers who worked less than eight hours a day and received overtime compensation. This could only occur if the employees were entitled to travel time. However, based on their assignments, they should not have been entitled to travel time.

Recommendation

The Canine Unit's management is responsible for maintaining an efficient operation and enforcing policies and procedures. Our review noted that this objective is not currently being achieved. Hence, we recommend that the monthly schedule be prepared by the supervisors so that all officers are expected to work seven hour days unless a specific assignment prevents that from occurring. We also recommend that any overtime incurred, including canine care, should be pre-approved by the supervisor and permitted only when deemed necessary. In addition, canine unit management should verify that all officers maintain a daily log as required by policy. Furthermore, the travel policy should be enforced and should only apply if the officer is traveling from the Department of Correction Central Office to the assigned location or if the officer is traveling beyond his normal distance to the Central Office. We also recommend that timesheets be completed accurately and include only compensable work hours. Lastly, we recommend that all time sheets and overtime sheets have supervisory approval signatures prior to entry into the timekeeping system.

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Payroll – Shift Overlap

Shift overlap schedule could be adjusted to further promote safety as well as reduce overtime costs.

The department administers 14 correctional facilities which operate 24 hours per day and requires three eight hour shifts. The first and second shifts are staffed with the highest number of officers, while the third shift has the least amount of staff.

Shift overlap, which had been eliminated in 2001, was reinstated at the beginning of fiscal year 2007 to improve the safety of staff and inmates. For posts requiring relief, incoming officers are required to report 15 minutes early for line-up and to communicate with the outgoing officer. The 15 minute shift overlap causes overtime for each selected post, officer, and shift. It is management's responsibility to implement cost effective procedures to reduce and control

overtime. However, the fiscal year 2007 overlap overtime will increase costs by approximately \$11.1 million.

As recommended in a prior audit report, the shift start and end times could be adjusted so that all shifts and all posts would overlap, but overtime would only be incurred on the third shift, where there is the least number of staff. This method of overlap would further enhance safety because all posts, not just selected posts, would overlap allowing for the necessary communication between incoming and outgoing officers. If this alternate method of shift overlap had been implemented, as shown below, the department could have saved \$3.2 million during fiscal year 2007.

	<u>Start</u>	<u>End</u>	<u>Shift Total</u>	<u>Overtime Total</u>
1 st Shift	6:00	14:00	8 hours	0 hours
2 nd Shift	13:45	21:45	8 hours	0 hours
3 rd Shift	21:30	6:15	8:45 hours	45 minutes

Recommendation

We recommend that the department consider implementing this alternative method of shift overlap.



Halfway Houses

Management needs to implement detailed reviews of Residential Community Centers' budgeted and actual cost data and invoices to assure payments are reasonable.

The Department of Corrections has contracted with 24 Residential Community Centers, also known as halfway houses, to board eligible inmates who are within 18 months of their parole eligibility date. The houses are paid bimonthly based on a per diem rate determined by using budgeted capacity and cost data supplied by the houses. The houses bill the department every two weeks using the per diem rate multiplied by the actual number of residents and total days in the billing period. Our review of the contract awarding process and payment process noted that additional management oversight is needed. Our

review of the budgeted cost data supplied by the houses and used to determine approved per diem rates noted mathematical errors, instances where prohibited costs were not excluded, and budgeted costs that were inflated or not procured. Our review of the payment process noted that the approved per diem rate is based upon budgeted capacity and costs; however, that actual capacity used and billed by the houses is often much less. The contract awarding process would be better served if budgeted data reflected anticipated usage in determining an approved per diem rate. This in coordination with reviews of actual costs per financial statements and feedback from internal audit reviews of specific facilities would provide the data needed by management in meeting its oversight responsibilities.

The residents are required to obtain employment within a prescribed period of time. Thirty percent of the residents' net income is paid to the halfway houses for maintenance fees. These fees reduce the bimonthly amount billed to the department for the contracted services. The department is responsible for reviewing the invoices and the supporting documentation prior to making the payments.

During fiscal year 2006 halfway house expenditures amounted to \$60 million. We found that the department has not properly reviewed the invoices submitted for reimbursement by the halfway houses. Invoices should include a complete listing of all residents living in the house for the billing period along with the amount of maintenance fees paid by the residents for the same period. However, we found that one halfway house was not including the names of all residents residing in the house. The department cannot determine whether they are being charged properly if all residents' names are not listed on the invoice support. They also cannot determine if the inmates paid their maintenance fees which would reduce the amount the department would pay to the halfway house for the period.

We found one facility does not always have their residents report their income timely to the counselors at the facility. Therefore, maintenance fees are not being paid by the residents timely and properly deducted from their bimonthly billing to the department. We found this facility reported income and related maintenance fees up to 37 days after the income was received.

We found that due to the halfway house's relaxed maintenance fee collection efforts, residents earning income did not submit the required 30 percent of net income towards their maintenance fee. One employed resident did not submit any maintenance fees during a two-month period and has since been released. These maintenance fees may not be collected. In addition, we found instances where their maintenance fees for employed residents were waived. Waiving of maintenance fees is not permissible under the contract.

Halfway houses are required to collect 16.67 percent of residents' net income to satisfy outstanding fines, penalties, and restitution obligations. These monies are to be forwarded to the institution where the resident was located prior to transferring to the halfway house. We found that one provider did not collect the required 16.67 percent because the department has not made them aware of the balances in the residents' fines, penalties, and restitution accounts. Collections of obligations by the halfway houses must be carried out in accordance with the contract so that the fines, penalties, and restitutions can be satisfied.

The department needs to provide resident's fine, penalty, and restitution data to halfway houses.

Recommendation

We recommend that management establish procedures to procure services from prospective halfway houses based upon historical capacity levels and eligible costs. A detailed review of the budget should be undertaken by the department when approving a per diem rate. This should include a review of the prior year audited

financial statements and be supplemented by periodic audits of selected facilities by the internal audit unit. We also recommend the Department of Corrections review the Residential Community Centers invoices to determine that the proper bimonthly amounts are billed.



INTERNAL CONTROLS

Revenue

A lack of a proper segregation of duties increases the risk of loss or misuse of funds.

We noted that all mail received by the department is opened in the mailroom and all revenue is forwarded to the Central Office Revenue Unit (CORU). One employee in the unit is responsible for entering revenue into a log, restrictively endorsing checks, preparing deposit slips, and entering the revenue into the state accounting system. This practice increases the risk of loss or misuse of funds. During fiscal year 2005 and 2006, the department's revenue amounted to \$36,397 and \$186,843, respectively. Good internal controls require these functions be segregated to reduce the risk of loss or misuse of funds.

Payroll

Proper segregation of duties in the payroll process is necessary to safeguard assets.

There are 62 timekeepers assigned to the various units within the Department of Corrections Central Office. They are responsible for entering time records into the Time Attendance Leave Record System (TALRS). Five of the 62 timekeepers receive their units' paychecks for distribution. Timekeepers should not be distributing paychecks for their own units. A proper segregation of duties over the payroll function and paycheck distribution process is necessary to ensure that disbursements are proper.

During a review of TALRS access, we found 29 employees have edit access to their own time records. These employees are not timekeepers

and should not have any access to the system. Time and attendance for custody employees is maintained on the Time Point scheduling application which interfaces with TALRS daily to update employees' time records. Our review found five employees who have the capability to input employee time into Time Point also have access to edit their own time in TALRS. Employees entering data into Time Point should not have access to their own time records in TALRS.

Information Technology

The department should reduce the number of employees having the ability to update beneficiary names and addresses.

Within the Department of Corrections, 2,500 employees have the ability to update beneficiary names and/or addresses on the department's offender's management system. This increases the risk of improper payments. Access to such information should be granted to a limited number of individuals within the department's business offices. In our prior audit, we recommended the department review this area to determine who should have this access. The department's response stated that reducing the number of staff having access to beneficiary names and addresses would require a change by the software vendor. Management asserted that although 2,500 employees have access, only authorized individuals should be updating the information. They also stated in their response that the department would develop a compensating control by generating reports listing unauthorized users who updated beneficiary information. As of the end of our fieldwork, there were no formal policies stating who would review these reports and how often.

Recommendation

We recommend that the department properly segregate the revenue process. We further recommend that a mail log be maintained by the mail room and be reconciled to the Central Office Revenue Unit's records to ensure the proper accountability for receipts. We also recommend payroll checks be received and distributed by

someone other than those involved with the payroll process. In addition, we recommend that timekeepers having access to TALRS be precluded from accessing their own time records. Furthermore, TALRS access should not be given to employees who are not timekeepers. Lastly, we recommend that a formal policy be written documenting who will review the reports and how often to determine that only authorized employees are updating beneficiary information.

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State of New Jersey

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JON S. CORZINE
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GEORGE W. HAYMAN
Commissioner

July 5, 2007

Richard L. Fair, State Auditor
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Dear Mr. Fair:

I have reviewed the audit report prepared by your office summarizing the audit of the Department of Corrections, Central Office Activities for the period July 1, 2005 to December 31, 2006. I appreciate this opportunity to respond to its findings and recommendations.

Fines, Penalties, and Restitution

We are in agreement with your recommendation that unclaimed beneficiary funds should be escheated to the State in accordance with N.J.S.A. 46:30B-41.2. On January 10, 2007, the \$996,000 identified in the audit report was escheated to the State. We are now in the process of escheating additional funds to the State, which will bring us into compliance with the aforementioned statute. Where collections are not yet one year old, efforts are continuing with the Administrative Office of the Courts (AOC) and Division of Criminal Justice (DCJ), to resolve victim name and address issues, which will assist the department in the distribution of restitution to the intended beneficiaries.

The AOC is responsible for providing victim name and address information on the Judgments of Conviction (JOCs). Please note that the DOC does not have full access to the courts' data base (PROMIS Gavel) wherein victim information is recorded. JOCs missing beneficiary information are researched and corrected through the sentencing court to ensure that victim information is correct and appropriately recorded. In addition, the DOC has been working with the Department (DCJ), who also has access to PROMIS Gavel, in identifying victim names and addresses. The DCJ also has direct access to the Department's system (TAG) and utilizes that system to update the DOC's victim information records. The department is also in the process of developing an automated solution to insure that any residual funds, determined to be unclaimed, are promptly escheated to the State.

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With regard to unauthorized expenditures, transaction reports will be reviewed monthly to ensure payments are properly posted.

Accounts Receivable

We have discussed the assessing of Law Enforcement Officers Training and Equipment Fund (LEOTEF) penalties with Judge Carchman's staff at the Administrative Office of the Courts (AOC). On March 7, 2007, the department met with Joseph Barraco, Assistant Director, and John Wieck, Manager Criminal Court Services who agreed that the DOC should not utilize the standard language on the JOC regarding the LEOTEF penalty and advised that the LEOTEF penalty should only be recorded when specifically noted in the body of the JOC.

The AOC is researching the feasibility of developing a report, which will identify all offenders adjudicated to the DOC and those who should be assessed the LEOTEF penalty. When the report is received, we will compare it against the department's record to identify individuals that should be assessed a LEOTEF penalty. The department's offender records will then be adjusted to record and collect the penalty. The AOC has also agreed to develop a standardized JOC to be utilized by all county courts, which will delineate amounts for each assessment and should simplify the process for properly recording fines, penalties and restitution.

Judgment of Conviction

The department does not concur with reassigning this function to the Central Reception and Assignment Facility (CRAF) as this function is not routine data entry and requires close supervision by professional accounting staff. Furthermore, a reconciliation report has been developed to ensure that all newly admitted inmates at CRAF have an electronically scanned Judgment of Conviction on record.

The backlog identified in your report was due to two factors. A recently implemented system upgrade that electronically transmits JOCs to the Central Office Revenue Unit (CORU) to eliminate photocopy work at CRAF increased the workload for CORU by shifting the hard copy printing to Central Office. Additionally CORU experienced several unanticipated vacancies of staff responsible for entering information from the JOCs. Due to a blanket hiring freeze, these jobs cannot be backfilled. To address the backlog, the department has temporarily re-aligned staff within CORU and is procuring temporary services to work on the backlog which has been reduced to approximately three months. With anticipated system enhancements and internal staff re-assignments, future backlogs are not anticipated.

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Parolees' Obligations

The DOC has worked in concert with the State Parole Board in the development of a new procedure to enhance cash control and provide assurances that revenues are posted timely to the State's accounting system. The procedure, which was implemented on July 1, 2007, requires the District Parole Offices (DPO) to perform daily cash reconciliations and transmissions of cash receipt data to the DOC.

Canine Unit

We would like to point out that the Canine Unit had a standard operating procedure (SOP), not an approved department policy, regarding the maintenance of a daily log and officer travel. This procedure had not been provided to the department's Human Resources staff for review and approval. The following changes have been made in accordance with the recommendations provided in the audit report:

- Schedule – The Canine Unit has instituted a weekly schedule rather than a monthly schedule. The Captain is to be advised by the Lieutenant and/or Sergeant if incidents arise that will cause a change in the weekly schedule.
- Overtime – All overtime is pre-approved by the unit supervisors. Administrative and training days are seven-hour days with the eighth hour for canine care.
- Daily logs – All officers now maintain daily logbooks, which are reviewed weekly by the canine supervisors.
- Travel policy – The Travel policy was revised to provide K-9 Officers with a guide for traveling from their homes to locations other than the Central Office campus in Trenton. When travel time to an alternate location is less than the normal commutation to the department's Central Office, the officers are required to arrive at the alternate site and complete a seven hour tour of duty before returning to their residence to provide canine care. If the alternate site requires a longer commutation, the additional commutation time will be considered part of the seven hour tour of duty, whenever possible. The revised travel policy has been reviewed and approved by the Director of Human Resources.
- Time sheets – Time sheets include only hours worked and are reviewed weekly. Staff time is not submitted to the payroll unit until all overtime slips and time sheets have been reviewed and approved by the Captain of Special Operations.

Payroll – Shift Overlap

The department agrees the shift overlap alternative proposed by the audit staff should be considered. Earlier in FY 2007 it was submitted to the Department of the Treasury and the

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Office of the Governor in this regard. It should be noted that a matter of this type has employee relations and policy considerations in addition to technical budget impacts that require evaluation external to the department.

Halfway Houses

The New Jersey Department of Corrections, Division of Programs and Community Services awarded current contracts to organizations for Residential Pre-Release Services on a fixed fee per diem basis, with reimbursement made to these organizations on a bed fill basis. The budget sheet submitted by organizations along with their request for proposal response was intended to be for informational purposes. During the proposal evaluation process, the organizations' per diem offers for services were reviewed and the awards made based on the reasonableness of the per diem rate in relation to the proposed services represented on the budget sheets and the balance of proposal documentation submitted. In the future, the proposal evaluation process will include a detailed review of the submitted budget related materials prior to awards being made.

The Director of the Office of Community Programs has prepared a letter to all contracted halfway houses advising them of their responsibility for the prompt collection and reporting of fines and maintenance fees each month. The Division of Administration, Office of Financial Management, has requested that maintenance fee deduction details be reconciled by the Office of Community Programs and attached to the vendor invoices as supporting documentation with the submission for payment. The department's Internal Audit Unit has added the review of halfway houses to its annual audit plan.

Internal Controls

Although the department agrees with the auditor's finding, it should be noted that the internal control weaknesses were corrected prior to the end of the audit period.

- Cash Receipts - We do realize the importance of internal control over all receipts. It should also be noted that the actual receipt of cash is prohibited and that the only forms of receipts at CORU are checks and money orders. The lack of segregation of duties occurred when staff assumed the tasks of employees who departed. Duties associated with the processing of receipts were subsequently assigned by management to various staff to achieve the appropriate level of segregation of duties and to enhance internal control over receipts.
- Payroll - The Office of Human Resources issued a memorandum on July 10, 2006, which prohibits timekeepers from distributing unit checks; however, it did not address the retrieval of checks from Central Office. Another memorandum issued on January 4, 2007 reinforces the prohibition of timekeepers distributing checks and also directs that timekeepers not receive paychecks for staff if they have access to the staff in the Time and Leave Reporting System (TALRS) timekeeping records. As it relates to timekeepers

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having access to both the departments custody scheduling software (Time Point) and TALRS, the department has developed compensating control in the form of a department wide procedure preventing all employees from having access to their own time keeping records. It should be noted that the Time Point software, combined with the automated pass of Time Point data to TALRS, does not permit on-system restrictions for those staff handling custody employee time and attendance.

- Information Technology - The department's Offender Management System (iTAG), a proprietary software package owned by SYSCON, was designed to collect names and addresses in a single data file among which are the names and addresses for restitution beneficiaries. This element of the system is not adjustable. This file serves many purposes and access to it is required by 3,450 employees; therefore, number of users cannot be restricted.

As stipulated in the prior audit report, the department developed a system-generated report as a compensating control to monitor the activity and volume of changes to the data file, by user. The CORU supervisor reviews this report weekly and where changes are not made by those authorized to modify financial data, the transaction is submitted to the user's supervisor for verification. Over the past 5 months, staff outside of CORU or institutional business offices have modified only 24 beneficiary address changes out of 1,633 (less than 1.5%).

More importantly, please note that only a limited number of employees (69) in the Department of Corrections and the State Parole Board are able to enter financial data related to the collection of fees, fines and restitution which govern restitution payments to beneficiaries. In the department's opinion, this control, along with the ability to collect and record the most current addresses, reduces the risk to an acceptable level.

In closing, I sincerely thank your audit staff for their continued diligent work and cogent recommendations.

Very truly yours,



George W. Hayman
Commissioner

GWH:BTH:rw

c: Peter T. Roselli, Assistant Commissioner
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