

New Jersey Legislature
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OFFICE OF THE STATE AUDITOR

Department of Corrections
Garden State Youth Correctional Facility

July 1, 2015 to March 31, 2018

Stephen M. Eells
State Auditor



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Enclosed is our report on the audit of the Department of Corrections, Garden State Youth Correctional Facility for the period of July 1, 2015 to March 31, 2018. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink, appearing to read "Stephen M. Eells".

Stephen M. Eells
State Auditor
September 4, 2018

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Scope

We have completed an audit of the Department of Corrections (DOC or department), Garden State Youth Correctional Facility (GSYCF or facility) for the period July 1, 2015 to March 31, 2018. Our audit included financial activities accounted for in the state's General Fund. We did not audit the financial transactions of the non-appropriated funds since they are audited by the department's internal auditors. Additionally, inmate medical expenditures totaling \$20.6 million during the audit period were excluded from the scope since they were included in our separately issued audit report dated June 8, 2016. Annual expenditures of the facility, excluding expenditures associated with non-appropriated funds and inmate medical costs, averaged \$41.1 million during fiscal years 2016 and 2017. Revenues of the facility were \$1.3 million and \$1.5 million during fiscal years 2016 and 2017, respectively. Receipts from sales in the commissary represent the major component of revenue. These receipts are also audited by the department's internal audit unit and were excluded from our scope.

The mission of the DOC is to protect the public by operating safe, secure, and humane correctional facilities. This mission is realized through effective supervision, proper classification and appropriate treatment of offenders, and by providing services that promote successful re-entry into society. As of January 2018, there were approximately 1,250 male offenders committed to the facility.

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. An additional objective was to identify potential cost savings and efficiencies.

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. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circulars promulgated by the Department of the Treasury, and policies of the DOC. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing of financial transactions. We read the budget messages, reviewed financial trends, and interviewed facility and department personnel to obtain an understanding of the programs and the internal controls. We also reviewed current

and historical population and capacity statistics for the three youth correctional facilities (Albert C. Wagner Youth Correctional Facility, GSYCF, and Mountainview Youth Correctional Facility) maintained by the department.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted and transactions were judgmentally selected for testing.

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 except for the allocation of costs related to fuel and utilities and central motor pool. In making this determination, we noted compliance issues regarding delegated purchasing authority transactions, internal control deficiencies involving the monitoring of employee sick leave, revenue enhancement opportunities concerning the Child Nutrition Programs, and purchasing of food items that merit management's attention.

We also observed that declining inmate populations at the three youth correctional facilities may allow for consolidation and provide an opportunity for potential cost savings.

Delegated Purchasing Authority Transactions

The facility should comply with state guidelines when procuring goods and services.

The facility did not comply with the Department of the Treasury Circular Number 16-02-DPP which provides delegated purchasing authority (DPA) to state agencies when products or services are not available through one of the four primary contracting methods. According to the circular, DPA transactions exceeding the \$1,000 threshold require some form of bidding to ensure price competition. The facility's DPA purchases totaled \$1.7 million during fiscal years 2016 and 2017. We judgmentally selected a sample of 40 DPA purchase orders with payments totaling \$538,000. Documentation to support eight of these purchase orders totaling \$112,000 was missing and therefore could not be tested. Our testing of the remaining 32 DPA purchase orders revealed the following.

- Documentation of a competitive procurement process in accordance with the circular was not evident for 23 of the sampled transactions. These exceptions included completely missing quotation documentation, insufficient number of quotes, and the incorrect type of quotes. For example, one purchase totaling \$21,600 obtained internet pricing when an agency request for proposal was required. Appropriate price competition as required by the circular may result in lower pricing for goods or services.
- A DPA transaction should not have been utilized for eight of our sampled transactions, as goods or services were available through one of the four primary contracting methods. For example, custody supervisor badges should have been purchased from the state's contract vendor. The facility purchased 30 sets of breast and hat badges for custody supervisors from a non-contract vendor at a total cost of \$2,547. Competitive quotes were not obtained for the hat badges, and a state contract was available for custody supervisor breast badges at \$22.72 each or \$681.60 for 30 badges.
- The required forms for 8 of the 32 tested DPA transactions were not on file during our review. These forms included ownership disclosure, vendor certification and political disclosure, and documentation of affirmative action compliance. The department has created a shared network location to maintain these forms for the use of all facilities. This test was expanded to include the eight missing transactions; forms for two of these vendors were not on file.
- Requisition forms were not on file for six of the sampled transactions totaling \$59,000, and three additional requisitions for purchases totaling \$68,000 did not have all the appropriate signatures as required on the form. According to department policy, all purchases should be initiated with a properly executed requisition form. The review and approval of this form ensures procedural compliance and fund availability.
- One of our sampled vendors was not paid the proper amount. The vendor was overpaid \$26,000 as a result of a data entry error which created an order line for \$26,300 rather than

\$263. Additionally, the requisition and purchase order were prepared after delivery, resulting in a confirming order which is discouraged by department policy. They were both created by the business office for this food services purchase. A requisition prepared by the food services unit or a blanket purchase order for this vendor may have detected this error. When we brought this to management’s attention, they contacted the vendor, and an agreement was entered to refund the overpayment. Additional testing was performed to identify other instances of overpayments – none were noted.

Recommendation

We recommend that the facility follow competitive procurement processes outlined in the circular for all applicable purchases over \$1,000, ensure goods or services are not available through one of the four primary contracting methods prior to utilizing a DPA transaction, maintain appropriate DPA forms for vendors, complete requisition forms with the required approvals for all purchases, avoid confirming orders, and maintain and retain records for all purchases for a period of seven years as required by the circular.



Fuel and Utilities and Central Motor Pool Rent

Expenditures charged to the facility should be based on actual costs, not the availability of budgeted funds.

Fuel and utility and central motor pool rental expenses were based on the availability of budgeted funds rather than actual costs. Our analysis of costs charged to object codes 4510 and 2510 noted large fluctuations from year-to-year. We sampled expenditure transactions from these object codes during fiscal years 2016 and 2017 to determine the reason volatility existed in accounts that would be expected to remain relatively stable (see the chart below).

Description	Expended Amount		Actual Cost		Difference	
	FY 2016	FY 2017	FY 2016	FY 2017	FY 2016	FY 2017
Rent Central Motor Pool	\$266,000	\$ 133,000	\$ 79,026	\$ 73,462	\$186,974	\$ 59,538
Fuel and Utilities	\$681,000	\$1,560,290	\$608,401	\$572,290	\$ 72,599	\$ 988,000
					\$259,573	\$1,047,538

We obtained and reviewed the central motor pool billing summary for fiscal years 2016 and 2017. We found expenditures recorded in the accounting system did not match the actual charges on the billing summary. Actual charges for vehicles assigned to GSYCF totaled \$79,026 in fiscal year 2016 and \$73,462 in fiscal year 2017, while payments were \$266,000 and \$133,000 during these two years, respectively. Central motor pool rental expenditures were allocated to the GSYCF account, as well as the accounts of other correctional facilities, in excess of actual charges. Conversely, five other DOC facilities reflected central motor pool

rental expenditures that were less than the actual charges. In fiscal year 2017, only 24 percent of the department's central office costs for central motor pool charges were recorded in central office accounts. We were not provided with a methodology for the allocation of the remaining balance. The department may decide to allocate motor pool charges for central office activities such as central transportation to each facility; this should be based on a consistent methodology such as inmate population and not the availability of budgeted funds. We also obtained and reviewed the energy bills of the facility and found that the actual costs for fiscal years 2016 and 2017 were more than \$1.0 million less than the amount recorded in the accounting system. According to management, payments were made based on available funding in respective appropriation accounts because funding has been perceived as department-wide and not specific to a facility. The department plans to analyze spending and reallocate funding in future budgets to ensure facility expenditures would be based on actual costs. The failure to properly record costs for each facility could hinder the department's ability to accurately compare spending between facilities and distort cost per inmate calculations.

Recommendation

We recommend expenditures recorded in the state accounting system reflect the actual costs of each facility. This will enhance the department's ability to measure the effectiveness and efficiency of spending at each facility.



Child Nutrition Reimbursements

The facility should maximize child nutrition reimbursements.

The facility is not maximizing reimbursements for child nutrition. According to federal regulations for the school lunch and breakfast programs, an eligible child is defined as a person under 21 chronological years of age who is enrolled in an institution which includes juvenile detention centers. Based on our discussions with management, the facility has been submitting meal counts based on the number of inmates that are under 21 and enrolled in the education program at the facility rather than all inmates that meet the age requirement. We compared the November 2017, December 2017, and January 2018 meal counts submitted for reimbursement to the actual number of inmates under age 21 that resided at the facility each day during that time period. The reimbursement submission for meals served had a daily average of 82 inmates during the three-month period, while the actual daily average number of inmates under age 21 incarcerated at the facility was 132. We used the actual daily count of inmates under 21 to estimate the additional reimbursements the facility could receive. We estimated, if appropriate meals were served to all age-eligible inmates for the sampled three-month period, an additional reimbursement of up to \$24,700 would have been received. If this condition existed for an entire year, the additional annual reimbursement amount would approximate \$100,000.

Recommendation

We recommend that the counts of meals served to all eligible inmates be submitted for reimbursement to the state Department of Agriculture.



Produce Pricing

The facility should ensure produce pricing is in compliance with the term contract.

Produce pricing should be verified to ensure compliance with the awarded contract. The Department of the Treasury, Division of Purchase and Property (the division) has awarded a term contract for fresh fruits and vegetables. The contract period spans from July 18, 2016 through July 17, 2019, and price lines are divided into four zones. According to the contract, fruit and vegetable pricing is based on weekly averaged posted Philadelphia Terminal (terminal) prices as provided by the Fruit and Vegetable Marketing Service Reports on the United States Department of Agriculture (USDA) website. This pricing is net against the firm-fixed markup or markdown for each awarded price line. For example, apples purchased in the central zone have a markdown of \$6.00 per case; therefore, the pricing calculation should take the terminal price and subtract \$6.00 from each case. According to the contract, the using agency is responsible for checking the Philadelphia Terminal price to determine the final cost of the orders.

We sampled seven invoices totaling \$9,590.49 from the contract vendor to determine if pricing was being applied in accordance with the terms of the contract. The pricing for selected produce (apples, bananas, and oranges) on the sampled invoices did not match the terminal price adjusted by the applicable markup or markdown. Only three of our calculated amounts for the 17 sampled produce item purchases resulted in a price that would have been higher than the invoiced amount. The invoiced amount for these sampled items was \$8,897.25 and our calculated pricing based on the contract methodology was \$7,685.50, approximately \$1,200 (13.6 percent) less than the invoiced amount. During fiscal years 2016 and 2017, total payments utilizing this contract at GSYCF averaged \$115,000 per year. We further noted, statewide payments utilizing this contract totaled \$3.0 million during fiscal year 2017.

On January 30, 2018, we brought to the attention of the division that the link for the USDA website in the method of operation document did not work. The division provided an updated link to the website on February 7, 2018, which was used to verify produce pricing on our sampled invoices. The division indicated to us that a new method of operation would be drafted with the updated website information; however, as of April 13, 2018 it had not yet been updated. The method of operation provides detailed instructions so agencies can obtain the Philadelphia Terminal prices.

Recommendation

We recommend the facility ensure pricing on the vendor's invoice is in accordance with the terms of the state contract.



Sick Leave

The Office of Human Resources should properly monitor employee sick leave and obtain medical documentation when required.

The department's, Division of Administration, Office of Human Resources (HR), responsible for GSYCF payroll and personnel functions, is not adequately monitoring employee sick leave. As a result, employees may be abusing their sick leave benefits. The facility had more than 390 custody employees as of January 1, 2017. The custody operation requires specific staffing levels to be maintained for 24 hours each day. Strong monitoring and oversight of sick leave usage is necessary to reduce scheduling disruptions and the resulting overtime.

The department's Human Resources Bulletin 84-17 requires an employee to submit a doctor's verification of illness for all absences in excess of 15 days in a calendar year. A total of 63 custody employees used more than 15 sick days in calendar year 2016. This total excludes employees with a pre-approved long-term leave of absence based on request codes entered in the state's Personnel Management Information System and employees listed on a spreadsheet maintained by HR that lists approved intermittent leaves of absence. Employees are removed from the intermittent spreadsheet once their leave period expires. We sampled 15 of the 63 employees who took more than 15 sick days in calendar year 2016 and found 10 did not submit the required medical documentation in accordance with the bulletin. Additionally, HR files were not reviewed for two employees who were transferred to another facility. The remaining three employees were covered by a pre-approved intermittent leave of absence; however, they were no longer listed on the intermittent leave spreadsheet.

Recommendation

The department's Office of Human Resources should monitor employee sick leave usage for potential abuse and ensure medical documentation is obtained as required by Human Resources Bulletin 84-17. Failure to enforce the bulletin could cause scheduling disruptions, additional overtime, and create an environment where employees perceive excessive sick leave usage as an acceptable and customary practice.

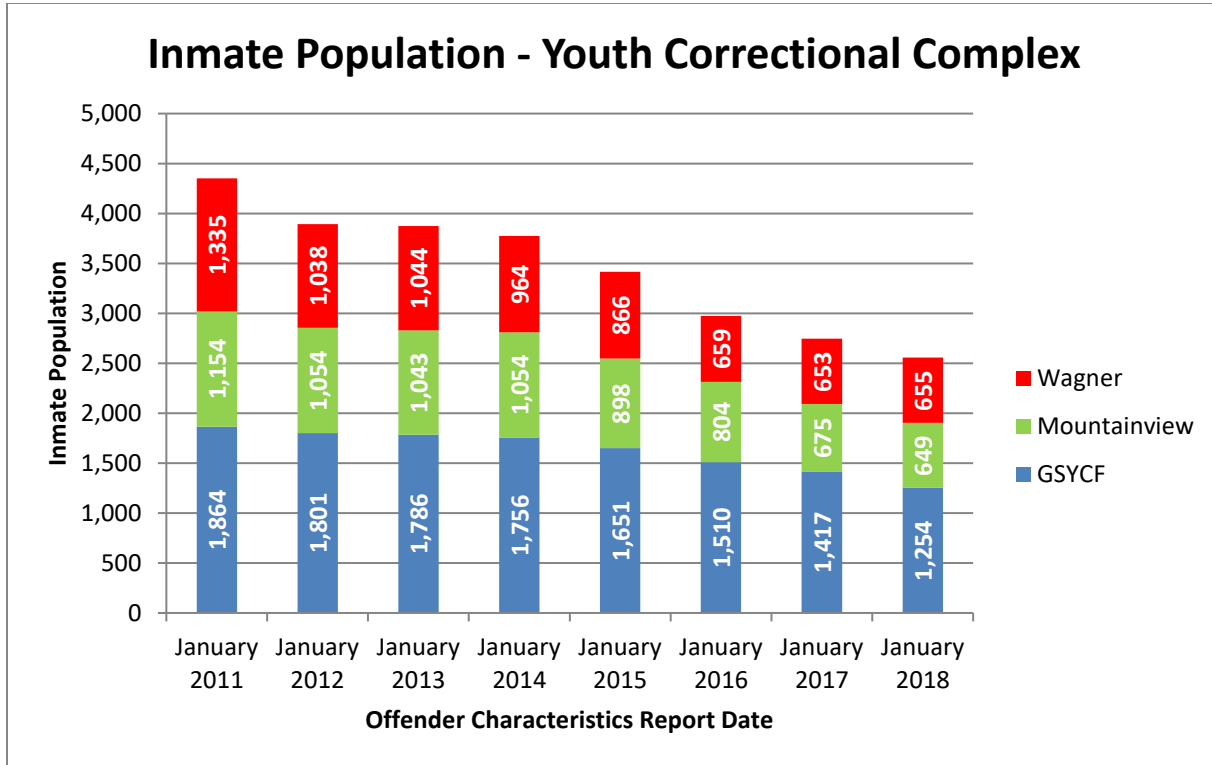


Observation

Youth Correctional Facilities

The Department of Corrections should determine if it continues to remain effective and efficient to operate all three youth correctional facilities. The department currently operates three youth correctional facilities known as the youth correctional complex. These three facilities are: Garden State Youth Correctional Facility (GSYCF), Albert C. Wagner Youth Correctional Facility (Wagner), and Mountainview Youth Correctional Facility (Mountainview). The properties of GSYCF and Wagner are adjacent to each other and are located in Crosswicks and Chesterfield, respectively. Mountainview is approximately 45 miles north of these facilities and is located in Annandale.

We analyzed historical expenditure data from the state accounting system and population statistics from the department's offender characteristic reports for each of the youth facilities. The inmate population at the three facilities was 2,558 as of January 2, 2018, which has declined by a total of 1,795 inmates (41 percent) since January 2011. We noted, GSYCF, Wagner, and Mountainview inmate populations have decreased by 610 (33 percent), 680 (51 percent), and 505 (44 percent), respectively, since January 2011. According to internal management reports, the total capacities of GSYCF, Wagner, and Mountainview are 1,996, 1,344, and 1,210, respectively. These amounts include 1,802 beds that have been temporarily closed or consolidated by the department. According to management, these beds could be repopulated if necessary. Overall, costs at the three facilities have declined by a total of \$22.4 million between fiscal years 2011 and 2017; however, the cost per inmate has increased by approximately \$12,000 during the same period. A portion of this increase may be attributable to cost increases over this period in certain spending categories; however, it is also probable that a portion of this increase is the result of the significant decline in inmate population and the continued operation of three facilities. As the population has declined, the department has proactively closed units within the youth facilities to achieve operating efficiencies and maximize the capacities in the remaining open units. This has resulted in the reduction of custody posts that would otherwise be required to be staffed if inmates resided in units that were significantly under capacity. The following chart provides an illustration of the declining inmate population at the three youth facilities between January 2011 and January 2018.



We examined two different scenarios whereby one of the three facilities would be closed. The third scenario, closing GSYCF and utilizing Wagner and Mountainview, was not explored because the current total inmate population exceeds the combined capacity of the other two facilities. This would limit the department’s flexibility if the inmate population spiked thereby causing overcrowding. The following scenarios were created for illustrative purposes.

Scenario One – Close Mountainview

In fiscal year 2011, GSYCF and Wagner housed approximately 3,199 inmates at a total cost of \$106.9 million. By comparison, all three youth correctional facilities together housed approximately 2,745 inmates at a total cost of \$128.0 million in fiscal year 2017. The total inmate population of the three facilities has further declined to 2,558 as of January 2, 2018, which is 641 inmates less than the population of the two facilities in fiscal year 2011 and 782 inmates less than the capacity.

Scenario Two – Close Wagner

In fiscal year 2011, GSYCF and Mountainview housed approximately 3,018 inmates at a total cost of \$97.7 million. By comparison, all three youth correctional facilities together housed approximately 2,745 inmates at a total cost of \$128.0 million in fiscal year 2017. The total inmate population of the three facilities has further declined to 2,558 as of January 2, 2018, which is 460 inmates less than the population of the two facilities in fiscal year 2011 and 648 inmates less than the capacity.

Any decision to consolidate facilities should carefully consider the department's mission of protecting the public by operating safe, secure, and humane correctional facilities.

Specifically, the department should consider: the impact on the department's budget and the potential for taxpayer savings; facility security concerns; staff and inmate safety; inmate classification levels; optimal operating capacity including the potential for overcrowding and the availability of temporary emergency housing (swing space); availability and capacity of classroom space for education and re-entry programming; demand and availability of administrative segregation (restricted) housing; staffing impacts including and not limited to post consolidation, reassignments, and reduction in force or potential job loss (attrition); impacts to local economies; facility age and maintenance costs; costs to repurpose or "mothball" a vacant facility; and legislative, union, and public input. Additional taxpayer benefits may be achieved by redeveloping a vacated facility.





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MARCUS O. HICKS, ESQ.
Acting Commissioner

August 24, 2018

David J. Kaschak
Assistant State Auditor
Office of the State Auditor
125 South Warren Street
P.O. Box 067
Trenton, New Jersey 08625-0067

Dear Mr. Kaschak,

I have reviewed the audit report of the New Jersey Department of Corrections (NJDOC), Garden State Youth Correctional Facility (GSYCF) performed by your office for the period of July 1, 2015 to March 31, 2018. Thank you for the opportunity to respond and provide comments to your office prior to the release of the audit.

Our understanding of the objectives of the audit was to determine whether financial and personnel related transactions related to the facility's programs, were reasonable, and were recorded properly in the appropriate systems. The following is in response to the findings and recommendations outlined in the audit.

Delegated Purchasing Authority (DPA) Transactions

The Business Manager at GSYCF has made significant improvements in the processing of Delegated Purchasing Authority (DPA) transactions, provided additional training to staff and has been more diligent to ensure that compliance with all aspects of Treasury Circular Letter 16-02-DPP are followed. The NJDOC Division of Administration has implemented various initiatives to improve department-wide compliance with this circular letter. This includes requiring the utilization of the Department of the Treasury, Division of Purchase and Property, DPA checklist to accompany each procurement package, a shared network drive for the required vendor forms, as well as the NJDOC Internal Audit Unit conducting periodic reviews to assure compliance. Also, the Division of Administration will routinely conduct department-wide training on procurement policies and procedures.

Fuel and Utilities and Central Motor Pool Rent

The Department's Office of Financial Management's Budget Unit was advised of this recommendation during the audit and changes were immediately implemented in FY 2018 to properly record expenditures at each NJDOC facility. Actual expenditures for Central Accounts, including Fuel and Utilities, along with Central Motor Pool Rent, are now accurately reflected in the state's financial accounting system. Reallocation of Institutional appropriations will be requested through the FY 2020 Budget process to align the funding for these expenditures.

Child Nutrition Reimbursements

The Field Services Unit, which has oversight responsibilities for the Food Services at all NJDOC facilities, has advised the Food Service Supervisor at GSYCF to assure that the counts of meals for all eligible inmates for the Child Nutrition Program are accurately reported. The Field Services Unit has also contacted the Food Service Supervisors at the other two (2) youth correctional facilities to ensure meals served to all eligible inmates are consistently reported throughout the NJDOC.

Produce Pricing

The Business Manager and Food Service Supervisor at GSYCF will work together to review, document and ensure that vendor invoices are accurate and in accordance with the terms and conditions of the state contract. In addition, the Business Manager has initiated staff to confirm vendor invoice pricing on the USDA website.

Sick Leave

The Office of Human Resources currently disseminates reports on a quarterly basis to all HR Regions requesting a response to be returned to the Director of Human Resources. This includes data for six (6) day letters, fifteen (15) day letters and fifteen (15) or more sick days utilized. In an effort to further improve compliance with departmental policy, these reports will be distributed on a monthly basis to all HR Regions. Also, the Office of Human Resources continues to provide timekeeper training for custody and civilian timekeepers. This training includes proper usage of attendance notification memos for those employees who have utilized six or fifteen sick days not covered by an approved FMLA entitlement in a calendar year as well as reinforcement of the requirement of staff to provide medical documentation for sick leave usage in excess of fifteen (15) days in a calendar year. Additionally, specific indicators have been incorporated into the Department's monthly executive reports to ensure proper monitoring and accountability at all levels.

Observation – Youth Correctional Facilities

While we appreciate your observation, the NJDOC would have to conduct a feasibility study for the purpose of consolidation or down-sizing its three (3) youth correctional facilities. Although the population has decreased, the spare capacity is used for emergency relocations of inmates due to infrastructure failures, such as roofs, plumbing, electrical, heating, ventilations, and air conditioning systems, storms and other significant unanticipated events.

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

Very truly yours,



Marcus O. Hicks Esq.
Acting Commissioner
Office of the Commissioner

MOH/GTA:am

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