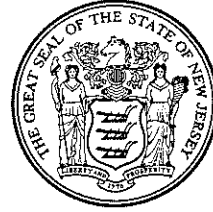


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**New Jersey State Legislature  
Office of Legislative Services  
Office of the State Auditor**



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**Department of Corrections  
South Woods State Prison**

July 1, 2008 to February 10, 2011

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**Stephen M. Eells  
State Auditor**

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Enclosed is our report on the audit of the Department of Corrections, South Woods State Prison for the period of July 1, 2008 to February 10, 2011. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells  
State Auditor  
June 9, 2011

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### *Scope*

We have completed an audit of the Department of Corrections, South Woods State Prison for the period July 1, 2008 to February 10, 2011. Our audit included financial activities accounted for in the state's General Fund. We did not audit inmate medical expenditures since they are included in a separate departmental audit performed by our office. Also, we did not audit the financial transactions of the non-appropriated funds since they are audited by the department's internal auditors. The mission of the South Woods State Prison is to protect the public and provide for the custody, discipline, education, training, and treatment of 3,300 male offenders committed to the prison. Annual expenditures averaged \$100 million during the audit period.

### *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, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the department and the prison. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our testing of transactions. We also read budget messages, reviewed financial trends, and interviewed prison personnel to obtain an understanding of the programs and 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 that financial transactions included in our testing were related to the prison's programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain internal control deficiencies involving purchasing that merit management's attention.

## Purchasing

### **Controls over the procurement of goods and services need to be improved.**

South Woods State Prison follows the Department of the Treasury's policies and procedures in procuring goods and services, as well as its own established internal control procedures that would include assuring that goods and services received are in agreement with contract or Delegated Purchase Authority agreements. Our review of sampled expenditures disclosed that management did not follow controls resulting in the following errors.

- The prison utilizes a state contract vendor for telephone interpreting services. The state contract established in 2004 specified a \$1.70 per minute rate. Prior to the state contract, the prison had its own agreement with the vendor at a much higher rate, typically \$3.50 per minute. The vendor did not establish the prison as a state contract account upon the effective date of the contract and continued to bill the prison at the higher rate. The prison never matched the billing to the state contract. We reviewed all purchase orders issued between July 1, 2008 and December 31, 2010 and determined that of the \$10,109 paid for the service, 50 percent represented overpayments. Applying this error rate to the \$25,000 paid to the vendor since fiscal year 2005, we estimate total overpayments were \$12,500.
- In fiscal year 2009, the prison awarded an all-inclusive preventative maintenance contract for a video surveillance system to the lowest bidder for \$8,250. The vendor subsequently replaced a malfunctioning camera and the prison was billed \$2,370. The replacement of the camera was covered under the contract and should not have been paid for by the prison.
- The prison had an annual contract with a vendor to perform inspection and diagnostic testing of the fire alarm detection system. The contract required the vendor to perform all the testing during fiscal year 2010, the contract period. Eighteen of the prison's 20 buildings with devices were tested during the fiscal year. The vendor was paid the full contract amount of \$86,000 during fiscal year 2010. The remaining two buildings were not tested until March 2011. In addition, the New Jersey Administrative Code requires these buildings to be inspected every 12 months.

### **Recommendation**

We recommend management enforce and monitor its system of internal control that includes the proper review of deliverables and costs as compared to the contract or agreement specifications.

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GARY M. LANIGAN  
*Commissioner*

June 3, 2011

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

Dear Mr. Termyna,

I have asked management at our Central Office Complex as well as staff at South Woods State Prison (SWSP) to provide my office with the actions taken or planned to address the recommendations identified in your audit of SWSP for the period of July 1, 2008 through February 10, 2011. I do appreciate this opportunity to respond to the findings and recommendations.

**Purchasing – Controls over the Procurement of Goods and Services**

The audit report identified three (3) instances where SWSP management did not follow established internal control procedures. The department will take the following measures to remedy these issues:

- *Telephone Interpreting Services* – The SWSP Business Office has been in contact with the state contract vendor, Language Line, in order to recover the overpayments. Future billings will be reviewed to ensure the department is billed at the contracted rate. Any discrepancies will be discussed with the vendor prior to payment.
- *Video Surveillance System* – The SWSP Business Office will contact the vendor to seek reimbursement for the replacement cost of the malfunctioning camera that should have been covered under the preventative maintenance contract.
- *Fire Alarm Detection System* – The SWSP Business Manager will meet with representatives with Simplex Grinnell to assess the fiscal year 2010 inspection and diagnostic testing of the fire alarm detection system to determine an equitable reimbursement amount for the two (2) buildings that were

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June 3, 2011

not inspected. The department will ensure that all buildings are tested within a 12 month period, in accordance with the New Jersey Administrative Code.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Gary M. Lanigan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gary M. Lanigan  
Commissioner