



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

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**Department of Corrections  
Bayside State Prison**

July 1, 2012 to September 26, 2014

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**Stephen M. Eells  
State Auditor**



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## New Jersey State Legislature

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Enclosed is our report on the audit of the Department of Corrections, Bayside State Prison for the period of July 1, 2012 to September 26, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells  
State Auditor  
June 17, 2015

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## *Scope*

We have completed an audit of the Department of Corrections, Bayside State Prison for the period July 1, 2012 to September 26, 2014. Our audit included financial activities accounted for in the state's General Fund, except for inmate medical expenditures which will be audited as part of a separate engagement. We also reviewed select general controls over Timepoint, a custody scheduling application. 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 Bayside State Prison is to protect the public and provide for the custody, discipline, education, training, and treatment of 2,200 male offenders committed to the prison. Annual expenditures, net of expenditures associated with the inmate medical costs and non-appropriated accounts, averaged \$56.7 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. An additional objective was to determine the adequacy of select general controls over Timepoint, including procedures to manage user access.

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, 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 testing of transactions. We also read budget messages, reviewed financial trends, and interviewed prison personnel to obtain an understanding of the programs, Timepoint, and internal controls.

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 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 this determination, we noted certain reportable conditions involving compliance with the provisions of the food service pilot program contract, monitoring of employees' sick leave usage, the interagency billing agreement, the welfare fund, and payment of staff training travel time that merit management's attention. We also found adequate select general controls over Timepoint.

## **Food Service Pilot Program – Aramark**

### **Aramark did not comply with certain terms of the food service pilot program contract.**

The New Jersey Department of Corrections entered into a contract with Aramark Correctional Services, LLC (Aramark) for a pilot program to provide daily food service to approximately 2,200 inmates and 623 employees at Bayside State Prison (BSP) including its two satellite units. Food service expenditures, including payroll and related expenditures, averaged \$4.0 million annually for fiscal years 2011 and 2012. The department embarked on this pilot program in an effort to determine whether or not privatization of food service would be more cost-effective while receiving an equal or better product. Aramark took responsibility for all food service operations at BSP following a 30-day transition process that began on February 25, 2013. All but one of BSP's food service employees were transferred to the state's other correctional facilities. The contract with Aramark was based on providing all three meals per day and covered an initial two-year period with an option for two one-year extensions. However, subsequent to the completion of our audit the department opted not to renew the contract. In fiscal year 2014, food service and related costs totaled \$3.7 million. Aramark was awarded an initial daily rate \$4.066 per inmate. The daily rate increased to \$4.339 due to additional food service staffing requirements and the establishment of an equipment repair/replacement fund. The New Jersey Department of the Treasury, Division of Purchase and Property also negotiated a daily rate of \$1.355 for staff meals. Our review disclosed the following contract compliance issues while the contract was in force.

### ***Inmate Meal Service***

We analyzed daily meal attendance records from the prison's main facility for two weeks during the months of July and August 2014. Our review disclosed an average of 584 inmates did not partake in at least one of the three meals per day. Nevertheless, BSP experienced an average of 45 inmate breakfast, lunch, or dinners monthly that had inmate meal shortages since the inception of the pilot program. Not having sufficient meals prepared disrupts institutional schedules since custody employees must return to the kitchen area with working inmates to rectify the shortage.

### ***Staff Shortage Reimbursements***

An amendment to the food service pilot program contract required Aramark to provide five additional staff in exchange for an increase of \$0.213 to the initial inmate per diem. A review of records maintained by the Food Service Supervisor noted that, on average, staffing provided by Aramark was five employees less than the amended contract minimum level of 25 employees. The department is attempting to seek reimbursement for staff shortages. If successful, \$225,000 could be recovered for the period March 2013 through August 2014. A factor that we noted which could have contributed to this issue was high employee turnover. Since the program's inception, 40 Aramark employees have separated.

### *Waste Disposal and Equipment Recoveries*

As part of the contract, Aramark agreed to pay for all necessary kitchen supplies and garbage disposal fees. In addition, Aramark agreed to the inclusion of a \$50,000 equipment repair/replacement fund for each year of the contract. From April 2013 to June 2014, BSP paid \$87,970 for these types of expenses, but billed Aramark only \$42,133, of which only \$9,647 has been received.

### *Monitoring of Complaints*

The food service agreement contained numerous provisions to permit the monitoring of various aspects of the food service operations. Aramark was required to maintain records of complaints and provide timely investigation. Per BSP records, since Aramark took over the food service operation complaints averaged 268 per month, while an average of only seven complaints per month received a response. Recent evaluation data from the department showed the number of complaints decreased; however, complaints involving inmate meal shortages, scheduling delays, and Aramark staff shortages continued. The BSP food service pilot program quarterly report dated June 19, 2014 stated that the performance of the vendor remained “consistently inconsistent”. Aramark continued to depend on BSP to “run its services” which had a negative effect on the security and orderly operation of the prison.

Since the inception of the food service pilot program, Aramark failed all four food safety inspections conducted by the state’s Department of Health and Senior Services (DHSS). Prior to Aramark, BSP passed inspections conducted by the DHSS. Failing to meet standards creates an unhealthy and unsafe environment for inmates and staff.

### **Recommendation**

Subsequent to our fieldwork, the department reached a decision to not renew the food services contract with Aramark. The department has re-assumed providing food services. Therefore we only recommend that the department continue its efforts to recover costs pursuant to the provisions of the agreement.



### **Sick Leave Usage**

**Stronger monitoring of sick leave time usage should be implemented in an effort to reduce overtime.**

Bayside State Prison (BSP) had over 500 custody employees on the payroll during calendar years 2012 and 2013. During that same time period, overtime averaged \$2.2 million annually including an estimated \$1.2 million which resulted from paid or unpaid sick call-outs. The

custody operation requires that specific staffing levels are maintained 24 hours each day. Strong monitoring and oversight of sick leave usage is necessary to reduce scheduling disruptions and overtime costs. Our analysis of calendar year 2012 and 2013 sick leave usage disclosed the following:

- Custody employees are allotted 15 paid sick days each year, on average 14 of these days were used. In addition, we noted 213 custody employees that each used 10 or more sick days concurrent with other forms of leave. This unapproved extension of leave necessitates schedule adjustments and could result in overtime costs.
- Although the average custody position at the facility has 12½ years of experience, 73 percent of custody employees have cumulative sick time balances of less than 15 days. Twenty-eight percent had a zero cumulative sick leave balance, including 14 employees with 20 or more years of service.
- The Department of Correction's Human Resources Bulletin 84-17 requires an employee to submit doctor verification for all absences in excess of 15 days in a calendar year. A sample test of 30 of the 88 employees that exceeded the 15-day limit during calendar year 2013 disclosed only 14 had a doctor's note on file. We determined that if each custody employee reduced sick leave by only one day, it would save the prison \$76,000 in annual overtime costs.
- Thirty-four employees frequently took off the same day of the week by utilizing sick leave. All of these custody employees used between 10 and 12 days of sick leave on the same day of the week.

### **Recommendation**

We recommend the prison's management monitor sick leave usage and ensure that employees provide medical documentation as required. The department should consider expanding their internal policy to address abuse of sick leave by including sick leave time usage as one of the measurements for promotion.



## **Interagency Billing Agreement**

**Inmate work detail agreements need to be updated and management oversight regarding billings needs to be strengthened.**

A 1988 interagency agreement between Ancora Psychiatric Hospital (APH) and Bayside State Prison (BSP) established a satellite prison unit to house 160 inmates on the grounds of the hospital. In addition, the two facilities reached Memorandum of Agreements (MOAs) for inmates to provide work details at the hospital for tasks such as laundry operation and kitchen

cleaning. These MOAs, which are renewable annually, allow BSP to recover for costs, primarily salaries for correctional officers, related to the work details. However, these MOAs were last updated May 18, 2008.

BSP receives reimbursement from APH for 20 correctional officers, including 16 who provide security for the satellite prison and 4 correctional officers that oversee 96 inmates assigned to work details at the hospital. Annual reimbursements averaged \$1.8 million during fiscal years 2011 through 2013, of which \$1.4 million represented reimbursement for the 16 correctional officer positions providing security at the satellite prison but not providing services to the hospital. While APH appropriations include funding for these correctional officer positions, it overstates the actual cost of the APH operations and understates the cost of BSP.

As for the inmate labor BSP provides to the hospital's regional laundry operation and kitchen cleaning, APH compensates BSP for salary and uniform allowances for four correctional officers. We found that the hours worked and the hourly rate billed differed from the agreement. In addition, BSP billed \$37,497 for holiday overtime which was not allowed under the laundry agreement. Overall, BSP overbilled \$274,831 between July, 2011 and March 2014.

### **Recommendation**

We recommend that the interagency agreement between BSP and APH be updated and specify that billings are to be based on actual costs directly related to the hospital. We also recommend that APH seek a reduction in their annual appropriations equal to the annual reimbursed costs for the 16 correctional officers. Net amounts overbilled should be properly adjusted in future billings.



## **Welfare Fund**

### **The institutional board of trustees needs to be re-formed.**

The prison operates an inmate commissary where inmates can make purchases of food, postage, and personal hygiene products. Profits from the commissary are deposited into a welfare fund which provides funding for items or events that benefit the general inmate population. As of June 30, 2014, the balance of the fund was \$696,867, which included \$128,204 due to the state for expenditures ordinarily made from the welfare fund. The institutional board of trustees is responsible for approving expenditures from the fund, but currently the board is not formed, therefore BSP made fund expenditures from state appropriations. An additional annual average of \$10,000 in state appropriations was used to purchase inmate library materials and supplies which should be a cost to the welfare fund since they benefit the general inmate population.

### **Recommendation**

We recommend that the department and the prison request the Governor's Office to appoint members for an institutional board of trustees to allow for reimbursement to the state for expenditures which are the responsibility of the welfare fund. We further recommend that the prison utilize the welfare fund to pay for all purchases that benefit the general prison population.

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### **Employee Training Travel Time**

**Employees' training travel time should not be paid as overtime.**

The Department of Corrections (DOC) offers training programs to employees for performance improvement and promotional opportunities. Participation in the training program is voluntary and each training session lasts two weeks. Employees taking advantage of voluntary training offers are considered re-assigned to the training site and are not required to report to the prison during the training period. Unless these employees were required to report to the prison to obtain a vehicle, which we would discourage, they should not be compensated for the additional travel time related to the training. Instead, these employees could be reimbursed a mileage allowance under the state's Department of the Treasury Circular Letter 12-14-OMB. During fiscal years 2013 and 2014, 25 of the 27 BSP employees who received training were compensated for self-reported travel overtime totaling 823 hours or \$49,381.

### **Recommendation**

We recommend the Department of Corrections enforce the current policy PSM.001.020 to end paying overtime to employees based on travel time. The department should also consider employee mileage allowance in connection to training travel.

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June 8, 2015

John J. Termyna  
Assistant State Auditor  
Office of the State Auditor  
125 South Warren Street  
P.O. Box 067  
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Dear Mr. Termyna,

I have reviewed the audit report of the New Jersey Department of Corrections (NJDOC), Bayside State Prison (BSP) performed by your office for the period of July 1, 2012 to September 26, 2014. 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 transactions related to the facility's programs, were reasonable, and were recorded properly in the appropriate systems. The following is in response to each area outlined in the audit.

**Food Service Pilot Program – Aramark**

During the term of the contract and as warranted under the contract, NJDOC formally requested reimbursement from the vendor. Since NJDOC's efforts to recoup the full amount of these charges proved unsuccessful, in October, 2014, the NJDOC filed a formal complaint with the New Jersey Department of the Treasury, Division of Purchase and Property, Contract Compliance & Audit Unit (CCAU) seeking reimbursement for these charges. Aramark has disputed these claims. Consequently, NJDOC has withheld from its final invoice payment to Aramark an amount equal to the costs in question pending the outcome of the formal complaint.

### **Sick Leave**

The Office of Human Resources is currently scheduling timekeeper refresher training at all facilities for custody and civilian timekeepers. In addition to timekeeping system training, the training also includes proper usage of attendance notification memos for those employees who have utilized six or fifteen sick days not covered by an approved FMLA leave in a calendar year. Reinforcement and closer monitoring of the requirement of staff to provide medical documentation for sick leave usage in excess of fifteen days in a calendar year is also included in the training.

Additionally, Human Resources staff will conduct quarterly audits of all timekeeping units to ensure that medical documentation is being appropriately submitted.

Time and Leave Reporting System (TALRS) reports reflecting sick leave usage are reviewed biweekly by Human Resources staff and audited quarterly by Central Office Human Resources staff. These reports reflect sick leave usage patterns and abuses. Upon determining the existence of non-FMLA related sick leave abuse, the Office of Human Resources advises Administration to review such abuse for corrective action as warranted.

### **Interagency Billing Agreement**

NJDOC will work with the Department of Human Services (DHS), Ancora Psychiatric Hospital to update the MOAs which will include clarifying the billing terms. NJDOC will specifically address salary related costs. In reference to overbilled amounts, NJDOC will review the specifications of each of the four (4) MOAs to determine if overbillings occurred during this time period and will properly adjust future billings if necessary.

### **Welfare Fund**

NJDOC is in the process of selecting board members for our Adult Facilities Welfare Board. Once the board members are in place, BSP will request the authorization for reimbursement of all prior year expenses made with state appropriations in the board's absence. In regards to the recommendation regarding the Inmate Welfare Fund paying for law library resources and supplies, N.J.A.C. 10A:2-3.2 limits the use of inmate welfare funds to costs associated with the enhancement to the law library only; therefore, as NJDOC is constitutionally required to provide legal access, costs associated with basic services and equipment must be borne by the department. In the instant matter, funds were spent on updates to lexus nexus, typewriter supplies, toner and other law material updates that are considered basic services for the law library.

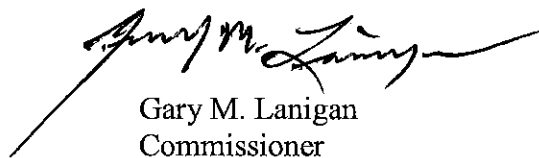
### **Employee Training Travel Time**

The NJDOC will enforce its current policy which states that any person who attends a "Voluntary Training Assignment" will be temporarily reassigned to that work location where the training class is being held and will not be compensated for travel time. All requests for reimbursement for travel time will be reviewed by the staff member's supervisor or Department Head. These requests are to be submitted to the Administrator for a final review and determination. Requests for allowing employees to be reimbursed for mileage over the normal commute, when utilizing their personal vehicle for travel will also be reviewed by the Administrator for final approval to ensure that the staff member was not provided with a departmental vehicle for this purpose.

John J. Termyna  
June 8, 2015  
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In closing, I would like to thank your audit staff for their continued diligent work and professionalism exhibited during the audit.

Sincerely,



Gary M. Lanigan  
Commissioner

GL:am

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