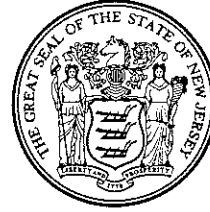

**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**



**Department of Corrections
Southern State Correctional Facility**

July 1, 2008 to March 30, 2011

**Stephen M. Eells
State Auditor**



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The Honorable Stephen M. Sweeney
President of the Senate

The Honorable Sheila Y. Oliver
Speaker of the General Assembly

Mr. Albert Porroni
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Enclosed is our report on the audit of the Department of Corrections, Southern State Correctional Facility for the period of July 1, 2008 to March 30, 2011. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells
State Auditor
October 4, 2011

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Scope

We have completed an audit of the Department of Corrections, Southern State Correctional Facility for the period July 1, 2008 to March 30, 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 Southern State Correctional Facility is to ensure that all persons committed to the facility are confined with an appropriate level of custodial security necessary to protect the public while being provided with the care, discipline, training, and treatment necessary to prepare them for reintegration into society. Annual expenditures averaged \$58 million during the audit period.

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. 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 facility. 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 facility personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of financial transactions were designed to provide conclusions about the validity of transactions, as well as internal control and compliance attributes. Transactions were judgmentally selected for testing.

Conclusions

We found that financial transactions included in our testing were related to the facility's programs, were reasonable, and were recorded properly in the accounting systems. In making these determinations, we noted certain internal control deficiencies involving the monitoring of employees' sick leave, the oversight of the Sick Leave Injury and Worker's Compensation programs, and the monitoring of maintenance department activities that merit management's attention. We also noted non-compliance with Department of the Treasury guidelines on the collection of non-tax debt, and the underutilization of a building.

Overtime Costs Related to Sick Leave

Stronger controls should be implemented to monitor sick leave in an effort to reduce overtime costs.

An organization that incurs substantial overtime costs because of sick leave should have strong monitoring functions to reduce the risk of sick leave abuse. The environment within Southern State Correctional Facility tolerates a liberal use of sick time. Our analysis disclosed that overtime increased from 2009 to 2010. Of the \$2.6 million in overtime costs incurred in calendar year 2009, we estimate \$1.3 million resulted from sick call-outs. Additionally, of the \$3 million in overtime costs incurred in calendar year 2010, \$1.5 million resulted from sick call-outs.

The facility had over 500 custody employees as of December 31, 2010. Our analysis of calendar year 2009 and 2010 sick leave usage disclosed the following:

- The average number of sick days used by custody employees exceeded 14 days for both calendar year 2009 and 2010. Fifteen days represents a year's allowance.
- We determined that as of the end of 2010, on average, custody employees have utilized over 90 percent of allotted sick time throughout their career. The 48 employees with over 25 years of state service have utilized 97 percent of their allotted sick time.
- Although the average custody seniority at the facility is 12 years, 77 percent of the custody employees had less than 15 days of cumulative sick time. Thirty-four percent had a zero cumulative sick balance, including 27 employees with over 20 years of service.

Per the state's administrative code, an appointing authority may require proof of illness or injury when there is a reason to believe that an employee is abusing sick leave; an employee has been absent on sick leave for five or more consecutive work days; or an employee has been absent on sick leave for an aggregate of more than 15 days in a 12-month period. Even when the 15-day limit was exceeded, the facility did not take a strong stand on reviewing employee sick time. The Department of Correction's internal policy states that an operation unit "may" require employees to submit doctor verification after the 15-day limit. Management acknowledged there was no enforcement of this policy until January 2011. We determined that if each custody employee reduced sick leave by only one day, it would save the facility \$128,000 annually.

Recommendation

We recommend the facility monitor sick time usage more closely. Analysis of employee leave trends should be utilized to identify potential sick leave abuse.



Sick Leave Injury

Light duty assignments may significantly reduce the dependency on SLI and Worker's Compensation programs.

The Sick Leave Injury (SLI) program allowed for salary continuation up to one year to an employee who was unable to work because of a work related injury or illness. We identified 42 employees in 2009 and 60 employees in 2010 who received SLI benefits totaling \$1.3 million. The SLI program ended for the facility and most state employees on June 30, 2011. We include our finding and recommendation in this report as similar control weaknesses identified through our review of SLI exist within the Worker's Compensation process. Worker's Compensation is now the primary benefit program for work related injury or illness.

We reviewed medical files for eight correction officers and two civilian employees who received the highest paid SLI benefits. We identified 13 incidents with benefits totaling \$461,000 during 2009 and 2010. In 11 of the 13 incidents, the physician approved the employee to return to work on a light duty capacity within two weeks of injury or illness. However, a Department of Correction's (DOC) policy that correction officers work without restriction allowed for extensive paid leaves to continue. In addition, the facility did not ensure that the civilian employees, whom this policy does not apply, returned to work as directed by the physician. As a result, the facility incurred an average of 105 paid work days per incident.

Correction officers must document the "ability to perform all duties of their assigned position without restriction" to return to work. Although an officer must pass a physical fitness test during the hiring process, no additional tests are required throughout the officer's career. Therefore, there is no certainty that an officer is fully functional and working without restrictions on a daily basis. Our testing disclosed an officer who was diagnosed with a partial permanent disability and allowed to return to work. This contradicts the internal policy of working without restrictions and demonstrates the facility's ability to make accommodations. Additional contradictions are evident within the program: officers involved in significant incidents return to work within days, while others involved in less significant incidents remain on extended leave; injuries suddenly healed when eligibility is exhausted; and officers permitted to work outside employment while on extended paid leave.

Recommendation

We recommend that the DOC allow for light duty assignments where feasible or allow the employee to report to the DOC central office to assist in other tasks, in order to reduce reliance on paid leave programs. The facility should ensure that civilian employees return to work in accordance with physician directives.



Former Employee Debt

The facility should perform proper collection procedures on former employee debt.

We noted nine former employees owing a total of \$23,000 for salary overpayments resulting from overdrawn leave time. Department of the Treasury Circular Letter 11-20-OMB requires a sequence of procedures be undertaken by the facility in an attempt to collect debt including, at a minimum, an initial billing, two additional mailings and two telephone calls, if necessary. Unsuccessful collections are then required to be transferred to the Department of the Treasury, Division of Revenue (DOR) after 90 days for further collection efforts. We noted the facility performed only an initial billing for the nine former employees resulting in no collections. These initial billings occurred, on average, 46 days after separation. We also noted that none of the nine former employees' debt was transferred to the DOR until after our inquiry. At that point the debt was between 184 and 495 days past the separation dates.

Recommendation

We recommend that the facility comply with Department of the Treasury Circular Letter 11-20-OMB in its processing of former employees' overdrawn leave time debt.



Vacant Building

Available capital assets should be utilized to meet organizational needs.

We identified a vacant building at Southern State Correctional Facility (SSCF) representing new construction dating back to 1997. The building's exterior appears complete, however the interior is incomplete. Although used as a temporary mail room subsequent to the events of 9/11, it has sat idle for nearly a decade. It appears that SSCF never requested an inspection and consequently the remaining permits were not issued to complete the project. Had the project been properly monitored and completed, the space may have served to help alleviate management's stated need for additional work space.

We provided the Capital Planning and Construction Unit at the Department of Corrections with the project and permit information that we obtained from the Department of Community Affairs. As a result, Capital Planning and SSCF reapplied for permits to complete this project.

Recommendation

We recommend that the department and the facility determine the cost effectiveness of completing the project and determine its best use. Also, we recommend that the department and facility properly monitor the progress of the project.



Maintenance Work Orders

The maintenance department should implement the automated available work order program.

The facility employs 21 maintenance employees with annual salary costs totaling \$1.3 million. A manual work order form is utilized for each maintenance department assignment. Our review of 26 randomly selected work orders disclosed they were incomplete and unorganized. The maintenance supervisor confirmed that he does not require completeness of the form nor utilize any information required on the form to monitor time and materials used on each assignment.

An automated maintenance work order program developed by the Department of Corrections is currently utilized by eight institutions, including neighboring Bayside State Prison. The program is available to Southern State Correctional Facility at no cost and does not require any additional positions within the facility. The program would allow administration to monitor maintenance department activities, material usage, and identify ongoing maintenance issues. The program could also provide data useful for determining the feasibility of shared services with Bayside State Prison.

Recommendation

We recommend that the facility obtain the automated maintenance work order program and utilize its capabilities as a monitoring tool.

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KIM GUADAGNO
Lt. Governor

GARY M. LANIGAN
Commissioner

September 27, 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 reviewed the audit report of the NJDOC, Southern State Correctional Facility performed by your office for the period of July 1, 2008 to March 30, 2011. Thank you for the opportunity to respond and provide comments to your office prior to the release of the audit.

Understanding the objectives of the audit was to determine whether financial transactions were related to the facility's programs, were reasonable, and were recorded properly in the accounting systems. The following is in response to each area outlined in the audit.

Overtime Costs Related to Sick Leave

The recommendation to monitor sick time usage more closely is actively being conducted at all of the NJ DOC facilities. On June 22, 2010, all facilities were directed that they must comply with the policy of issuing Notice of Attendance forms when employees have utilized 6 sick days and then again when they have used 15 sick days. It should be noted, however, that it is permissible for employees who have an approved FMLA/FLA leave request on file to use more than their allotted 15 sick days. It was not indicated in the audit report whether those employees on FMLA/FLA leave were included in the sample.

Of note, since January 1, 2011 to July 25, 2011, SSCF issued 323 *Attendance Notification* letters advising the employee of the amount of sick time utilized during this six month period. As a result of this action, 30 attendance-related disciplinary charges were issued. The NJDOC will continue to closely monitor employee's use of sick leave.

Sick Leave Injury

The recommendation to assign light duty to reduce the dependency on SLI and Worker's Compensation programs has been addressed. The department has a light duty policy for civilian employees and all facilities are aware that they must bring civilians who are returned to light duty back to work immediately. However, the department does not support a light duty policy for custody employees. All custody employees must be cleared to return to full duty by their physician. In the case of the employee noted who has a partial permanent disability, Risk Management will often determine partial permanent disability in order to settle monetary claims with employees. As long as the physician clears the employee to return to work with no restrictions, the disability award issued by Risk Management is not relevant.

If the employee is unable to work as a correctional officer, they may be able to work another, less strenuous job. As long as the secondary employment is not in the same category of work as their correctional officer position, we cannot prevent the employee from working the other job. In situations where the Department has learned that the employees' secondary employment is considered strenuous, we have implemented surveillance and taken the appropriate action to resolve the situation.

Former Employee Debt

It has been recommended that the NJDOC comply with the Department of the Treasury Circular Letter 11-20-OMB in its processing of former employees' overdrawn leave time debt. The NJDOC has very detailed instructions in place to address employees that have overdrawn leave time debt. In March 2010, we revised our Standard Operation Procedures and Payroll Manual to ensure that we are in compliance with Department of the Treasury Circular Letter 11-20-OMB for Non-Tax Debt Collections. DOC Central Office collects information regarding outstanding debt from each facility annually at the end of each fiscal year and provides it to the Department of the Treasury for collection.

SSCF has sent the required letters to the individuals in question and transferred the debt to the Department of the Treasury, Division of Revenue. Employees in the institutional HR offices will be advised of the procedures for processing former employee's overdrawn leave time debt to ensure compliance with Circular Letter 11-20-OMB.

Vacant Building

It has been recommended that the NJDOC utilize available capital assets to meet organizational needs. In order to proceed with this recommendation, the department's Capital Planning and Construction Unit will contract with an architectural engineering firm for a new set of plans and cost estimate. Once the cost is determined, the department will decide whether to proceed with completion.

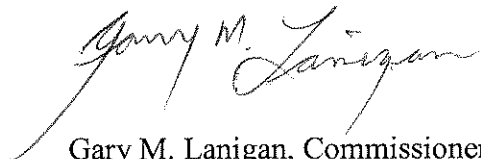
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Maintenance Work Orders

It is suggested that the department implement the available automated work order program. In response, the NJDOC will ensure that SSCF takes advantage of the automated maintenance work program.

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

Very truly yours,

A handwritten signature in cursive script that reads "Gary M. Lanigan". The signature is written in black ink and is positioned above the printed name and title.

Gary M. Lanigan, Commissioner
Office of the Commissioner

GML:asm

c Mark Farsi, Deputy Commissioner
Carmella M. Elmer, Assistant Commissioner