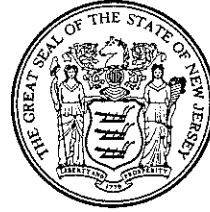

**New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor**



**Department of Corrections
Albert C. Wagner Youth Correctional Facility**

July 1, 2008 to January 31, 2011

**Stephen M. Eells
State Auditor**

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OFFICE OF LEGISLATIVE SERVICES

OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN STREET
PO BOX 067
TRENTON NJ 08625-0067

ALBERT PORRONI
Executive Director
(609) 292-4625

OFFICE OF THE STATE AUDITOR
(609) 292-3700
FAX (609) 633-0834

STEPHEN M. EELLS
State Auditor

THOMAS R. MESEROLL
Assistant State Auditor

JOHN J. TERMYNA
Assistant State Auditor

The Honorable Chris Christie
Governor of New Jersey

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Enclosed is our report on the audit of the Department of Corrections, Albert C. Wagner Youth Correctional Facility for the period of July 1, 2008 to January 31, 2011. If you would like a personal briefing, please call me at (609) 292-3700.

Stephen M. Eells
State Auditor
May 10, 2011

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Scope

We have completed an audit of the Department of Corrections, Albert C. Wagner Youth Correctional Facility for the period July 1, 2008 to January 31, 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, our audit did not include financial transactions from the non-budgeted funds since they are audited by the department's internal auditors. The mission of the Albert C. Wagner Youth Correctional Facility is to provide for the protection of the community through the incarceration of legally committed offenders between the ages of 18 and 35. The goals are to provide for the treatment, control, and care of incarcerated offenders until their lawful discharge upon parole or sentence expiration, and to provide opportunities while incarcerated in the areas of treatment, education, and vocational training conducive to the offender's eventual release and integration into the community. Annual expenditures averaged \$48.4 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 samples of transactions. We also read the 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 randomly and judgmentally selected for testing.

Conclusions

We found the 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 sewage contract, and the accuracy of time reporting that merit management's attention. We also noted a shared service opportunity where departmental costs could be decreased.

Shared Service Opportunity

One perimeter patrol officer post should be utilized to patrol adjoining facilities.

Albert C. Wagner Youth Correctional Facility utilizes a correctional officer to patrol the perimeter of the correctional facility and the properties under its control. The officer must be vigilant for suspicious incidents, activities, persons, and vehicles within the security perimeter. The post is a 24 hour a day position, requiring three officers per day. Garden State Youth Correctional Facility has an identical post.

The two facilities are located adjacent to one another. There are approximately three miles of roadway that run within both facilities' perimeters. Our review of post records for the past six months disclosed no major incidents occurring at either facility. By combining these two posts into one for both facilities, the state could save on salaries, fuel, maintenance, and vehicle costs. Annual salary savings alone are estimated at \$340,000.

Recommendation

The department in conjunction with Albert C. Wagner Youth Correctional Facility and Garden State Youth Correctional Facility should determine the feasibility of combining the perimeter patrol responsibilities into one post.



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 the facility tolerates a liberal use of sick time. Our analysis disclosed that of the \$3.4 million in overtime costs incurred in fiscal year 2009, we estimate \$2 million resulted from paid and unpaid sick call-outs.

Our analysis of calendar year 2009 sick leave usage disclosed the following.

- The average number of sick time used by the 450 custody employees was 14.3 days. Fifteen days are allotted each year.
- Although the average custody seniority at the facility is 11 years, 83 percent of the custody employees had less than 15 days of cumulative sick time. Forty percent had a zero cumulative sick balance, including 26 employees with over 20 years of service.

- Twenty-nine custody employees frequently took off the same day of the week by utilizing sick and other leave time. Counts ranged from 10 to 27 days for the year for each of these individuals. All used at least 10 days as sick leave.
- An analysis of 71 custody employees with 120 hours or more of unpaid sick time for the year found 19 individuals earned between \$5,000 and \$22,000 in overtime compensation. This more than compensates for the lost wages from unpaid sick time.

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 occurred, 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. A sample test of ten employees who exceeded the 15-day limit disclosed only one had a doctor's note on file. We determined that if each custody employee reduced paid sick leave by only one day, it would save the facility \$113,000 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.



Sewage Operation Agreement

Repair and maintenance costs should be collected annually.

Albert C. Wagner Youth Correctional Facility (ACWYCF) maintains its own sewage treatment plant, which provides service to the facility and the adjacent Garden State Youth Correctional Facility. In 2001, ACWYCF signed a binding operations agreement with Chesterfield Township to provide sewage treatment services to the township for a 20-year period. A per gallon rate was negotiated. Chesterfield pays quarterly based on their usage. The agreement also specified that Chesterfield would be allocated a share of the repair and maintenance expenses of the plant. Management has not billed Chesterfield for its share of maintenance and repairs to the plant since the inception of the agreement. Repairs and maintenance are common and would include such items as sludge removal and water testing. In fiscal year 2009, we estimate that the township would have been responsible for at least \$28,000 in maintenance and repair costs.

Recommendation

We recommend that maintenance and repair costs be allocated and collected from the township in accordance with the agreement. Attempts should be made to collect billable costs from prior years.



Time Reporting Inaccuracies

Monitoring of officer job codes and leave time discrepancies needs to be strengthened.

The Timepoint system is used to staff shifts and provide payroll information. This information is uploaded to the Time and Leave Reporting System (TALRS) on a daily basis. A Timepoint to TALRS variance report is provided by the department to the facility on a monthly basis to enable a review of any discrepancies between the two systems for overtime and leave time. The accuracy of the data entered into the Timepoint system and how management utilizes the system to monitor operations are important. Errors and irregularities could result in a misappropriation of funds if inaccurate data is not reviewed and adjusted. We performed an analysis of job codes per shift from the Timepoint system to determine if any posts that require only a single officer had more than one officer at that post at the same time and which totaled at least ten hours between the officers. For calendar year 2009, we found over 1,300 posts where this occurred. We judgmentally sampled 30 of 233 instances where overtime was associated with one of these posts. All 30 cases were miscoded. In 12 instances an officer called out sick per the operation control logs, but it was not adjusted on Timepoint or TALRS as being a sick day.

We also performed an analysis to determine if any officer was recorded as working at any two job codes at the same time. For calendar year 2009, we found 22 posts where this occurred. Nine officers received 26 hours of overtime overpayments because of these errors, totaling \$1,300. Furthermore, we found 26 instances where differences between TALRS and the Timepoint variance report were not corrected by the Operations Unit and it resulted in 158 hours of sick, vacation, and administrative leave not being deducted from officers' leave balances.

Recommendation

We recommend that management more closely review monthly variance reports between Timepoint and TALRS and make any necessary system adjustments. Management should also monitor the accuracy of the data in the Timepoint system and implement review procedures of the system that would disclose errors and irregularities.

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State of New Jersey

DEPARTMENT OF CORRECTIONS
WHITTLESEY ROAD
PO Box 863
TRENTON, NJ 08625-0863

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

GARY M. LANIGAN
Commissioner

May 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,

The following comments are provided in response to recommendations outlined in the Confidential Draft report dated April 21, 2011 relative to audit performed at Albert C. Wagner Youth Correctional Facility.

Regarding Shared Service Opportunity:

Currently each facility (Albert C. Wagner and Garden State) provides roving patrol back up to each other facility. Consolidation of the rovers would prevent adequate back up response. The roving patrol monitors all trips in and out of the facility and all law enforcement agency pickups (detainers) - which can be in excess of 20 trips per day. Also, each facility holds visitations on Saturdays and Sundays which results in a high volume of civilian traffic. To ensure adequate perimeter security at each facility, the presence of a rover on the grounds of each facility is critical. One perimeter roving patrol sharing responsibilities between Albert C. Wagner and Garden State Youth Correctional Facilities would reduce the necessary security measures at each facility.

Regarding Overtime Costs Related to Sick Leave:

The Department agrees with the OLS recommendation. It is noted that the OLS audit examined overtime costs of calendar year 2009 sick leave usage. Since 2010, the Department has undertaken a much stronger monitoring effort to reduce overtime costs due to sick leave usage. Employees who abuse sick time are disciplined and there is no mitigation of these offenses at the institutional management level. In 2010, 133 Time and Attendance disciplinary charges were written. In 2011 to date, 32 charges have been written.

Sick leave usage is monitored daily through detailed reports which outline the time used and resulting overtime expenditures. This information is reviewed daily by custody supervisors and administrative staff to determine trends and patterns of abuse.

Page 2 of 2
May 3, 2011

Regarding Sewage Operation Agreement:

The DOC agrees that Chesterfield Township should be billed for prior year costs. The Division of Administration is working with the DAG to draft correspondence notifying Chesterfield of the revised rate for fiscal 2010, which will also be used for fiscal 2011. In addition, revised rates for the prior years will be calculated, including maintenance and repairs, and any balances due will be billed.

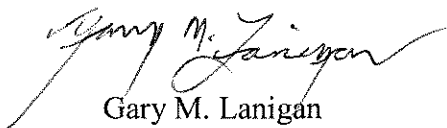
Regarding Time Reporting Inaccuracies:

The Department agrees with OLS' recommendation to more closely review the monthly variance reports. A daily review of reports by the supervisor should be completed and corrective administrative action enforced. It is noted that for calendar year 2009, the audit uncovered errors as a result of miscoding. This internal control was addressed and, as of calendar year 2010, the monitoring of job codes and leave time discrepancies have been strengthened. Overtime review procedures and reports generated for Central Office are utilized to eliminate coding errors which in the past have resulted in TLRs pay errors.

A corrective measure to address input errors resulting in overpayment mistakes shall include appropriate administrative action for Timekeepers. Part of the corrective action plan shall include annual training classes for operations staff.

Please advise if you require any additional information regarding this matter.

Sincerely,



Gary M. Lanigan
Commissioner