State government audits find wasteful, inefficient staffing

By HERB JAFFE

Overstaffed bureaucracies and inefficient use of personnel, some of whom earn substantial overtime wages, are inflating the cost of state government, according to audits conducted by the Governor's Management Review Commission.

Non-productive workers, duplicate functions and poor scheduling of personnel, in addition to top-level positions that carry nebulous and sometimes unexplained responsibilities, contribute to many millions of dollars a year in over-spending.

These and other wasteful practices, together with the liberal use of overtime in some executive departments to satisfy contractual obligations, have helped build an annual state budget that has grown by more than 150 percent in the last decade.

Moreover, $2.3 billion worth of salaries just for the 73,000 employees in the executive branch, plus nearly $1 billion in fringe benefits, represent almost 25 percent of all spending by the state government.

The audit reports expose scores of instances in which state personnel are used inefficiently and wastefully.

For example, dozens of suggestions for more productive use of employees are included just in the Department of Transportation (DOT) audit, undertaken for the commission by Deloitte & Touche.

One recommendation would save between $3 million and $5 million a year if there were a reduction in the "excessive" number of high-level staff people, such as project engineers and senior engineers, on construction projects. "The staffing on current jobs should be evaluated and reduced as necessary," the report advised.

In a productivity comparison of regional garages that maintain DOT equipment, the mechanics and amount of equipment they handled were analyzed and found to be "inconsistent."

"For example, the Cherry Hill garage has nine mechanics and four mechanic helpers for 781 pieces of equipment, while the Newark garage has nine mechanics and two mechanic helpers for 549 pieces of equipment," the report said.

"Cherry Hill does not have a reported backlog while Newark does. In addition, the Newark garage also has less trucks which often require more manpower," it added.

One result of the audits was that the DOT had to reduce the number of mechanics to bring the work load into line with the number of available staff.

In recommending savings in another area, although no specific amount other than "significant" was calculated by the auditors, the report explained that there are approximately 115 DOT maintenance yards. Each incurs substantial cost because of "house maintenance, construction, landscape, signs and lines, garage and bridge crews."

"Many of these yards are within two to 10 miles of each other," the report said. It suggested that "up to 20 percent of the yards could be consolidated."

"Consolidation would result in the reduction of the number of supervisory personnel, elimination of antiquated structures and revenue from the sale of the land."

The DOT report also noted that 50 percent of the work crew supervisors said they needed additional staff to complete their assigned responsibilities. When asked why they needed more staff, the report said, the general reply was "because they have vacant positions," although "they were not able to provide specifics about what was not getting done."
The recommendation called for an evaluation of the vacant positions and elimination where there is no specific need.

Another of the auditors’ concerns was the fact that the “business mileage report,” which reviews mileage on all DOT cars, had not been updated since December 1988. And, based on the 1988 report, only 50 percent of those using the DOT’s 717 automobiles “meet the Department of Treasury’s requirements for having a personal automobile. In addition, a number of employees have large groups of cars assigned to them.”

The recommendation was to eliminate at least 200 of the cars.

Numerous other incidents of employee waste and inefficiency are contained in the DOT audit report. But the same kinds of assertions can be found in many of the other reports. Some, such as the audit of the Department of Human Services, also conducted by Deloitte & Touche, found just the opposite kind of situations. For example, “inadequate staffing levels and training” have been “limiting the effectiveness of general assistance workers in identifying fraudulent applications,” the audit found.

Recommendations to improve the system through better quality control could add up to $5 million in benefits for the state, the report explained.

Similarly, a reduction in the department’s internal auditing staff, from 125 to 75, has resulted in a delay of reimbursement funds at two county mental hospitals. "The bureau of provider reimbursement in the division of medical assistance estimates that requested provider audits are two years behind current requests," the report said, noting that if the situation were corrected, the state could benefit by $1.7 million.

"The Bergen Pines audit for the years 1982-87 has not been settled. The Essex County Hospital Center audit for the years 1981-88 also has not been settled," it explained.

In another personnel gap affecting the largest department in the executive branch, with a $1 billion budget and almost 24,000 employees, the audit found that "two full-time staff people" are needed "to clear the Medicaid settlement backlog." The benefit to the state would be another $1.7 million.

One of the more serious administrative vacancies in Human Services.

TOMORROW:

Inefficient planning

It added that the establishment of such a unit would require only “two to three staff totally dedicated to pursuing these additional revenues.”

Bureaucratic procedures in the Department of Human Services “do not permit the timely tracking and reporting of overtime to statistics management,” the report noted, explaining that “the department is unable to track overtime in the (mental) institutional cottages.”

After stating that administration of the overtime process is manual, cumbersome and time-consuming, the audit explained how a streamlining of the system could reduce overtime by 25 percent. It said this would save $4 million a year.

The Human Services report said that “informal agreements with several unions representing employees in the institutions place unrealistic scheduling burdens on the department and result in unnecessary overtime.”

Specifically, the audit found that “every-other-weekend-off” agreements result in 50 percent of time off being scheduled during only two days per week.” As a result, the report explained:

"Insitutions are budgeting for significant overtime. The budgeting of overtime indicates that many institutions may not consistently utilize the most efficient scheduling techniques.

"Our review identified that for one institution, approximately 83 percent of actual overtime was budgeted.

"Human Services and the Department of Corrections account for more than three-quarters of all state overtime, according to a separate commission audit that deals with the utilization of state personnel.

"The state budgeted roughly $108 million in fiscal 1991 for overtime, the personnel audit report said, adding that "Human Services and Corrections account for 77 percent of the state's total overtime expenditure.”

The report said 45.8 percent of the overtime in Corrections "results from labor agreements.”

An audit of the Department of Corrections recommended a reduction of $40.5 million in the state's fastest-growing departmental budget, of which $9 million would be saved through "better control of overtime.

"The Department of Corrections reported an 18 percent drop in overtime in fiscal 1989 and that figure is rapidly approaching $80 million in the current fiscal year," the report stated.

It said the department estimated that half the amount is "uncontrollable due to contract overlap payments and institutional lockdowns resulting from disturbances, escapes and hostage situations.”

The corrections audit, conducted for the commission by the accounting firm of Coopers & Lybrand, also called for a $20 million cutback in departmental staff and another $8 million reduction under a salary freeze.

The audit compared entry-level and maximum salaries for corrections personnel with those in New York, Pennsylvania, Illinois and Michigan and found that New Jersey’s salary levels far exceed any of the other states and are substantially ahead of the national average.

Pointing out that New Jersey has "a significantly lower ratio of inmates to correctional officers" than the other states, the audit report recommended that the state “allow the present number of officers to drop by approximately 670 to attain a ratio of 3.75 inmates to individual officers.”

That would produce a savings of more than $20 million. If the national average ratio of 4.1 inmates per correction officer were applied, the report said, the state would save $31 million.

An audit of the Department of Community Affairs, conducted by Ernst & Young, found that each division in the agency has its own fiscal offices with support personnel. "We believe it is reasonable to assume that at least five positions could be eliminated by consolidation, producing total savings of approximately $250,000 annually,” the report said.

The audit also outlined a plan to reform the department's inspection procedures. It said one of the benefits would "result in the elimination of duplication of effort and service between different bureau inspectors and multiple inspections of a single dwelling unit by different types of inspectors.”

About two-thirds of the department's employees work in housing-related areas. Thus, "savings of even 6.5 percent of the 694 positions would yield staff reductions of 44 positions, or about $1 million annually," the report said.

"Our review found that the deputy directors of each division in the department lacked defined responsibilities for decision-making, policy issues and lines of communications," the report added. "Eliminating these positions will result in savings of about $350,000 annually,” it stated.

The audit found the department devoting too much of its resources to the process of issuing permits. "We believe the time devoted by staff to this activity is excessive and that this function is overly segmented throughout the department as well as the state,” the report said.

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It recommended consolidation of the permit process and added that centralization "will provide for better controls." In addition, it said that "a developer could go to one central location for the necessary permits related to a project. Currently, the system requires obtaining permits from various state agencies prior to a project's commencement."

The streamlining would bring a "reduction in costs within state government as well as private industry," the report said.

An audit of the Department of Banking, conducted by Arthur Andersen & Co., observed that despite being the smallest of the 19 executive departments, with 144 personnel and a budget of $8.6 million, the department "still employs a full complement of administrative personnel."

"Consideration should be given to combining the department with the Department of Insurance, as had been done in the past," the report suggested. "Such consolidation would generate substantial savings by eliminating redundant administrative functions," it explained.

The savings could amount to $2 million a year, the report added.

**WASTEFUL STAFFING**

*State government audits find inefficient personnel use*

The Department of Transportation Region II building in Newark. Dozens of suggestions for more productive use of employees are included in an audit of the DOT.