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State Comptroller audit finds state agency hands out \$10 million in grants annually without proper review

Audit concludes state officials should evaluate consolidating Governor's Council on Alcoholism and Drug Abuse with Division of Addiction Services

A state agency charged with coordinating drug and alcohol addiction services has distributed more than \$10 million a year in grant funds without a proper review, according to an audit released today by the Office of the State Comptroller (OSC).

The result, the audit shows, is that dollars intended for drug and alcohol prevention and education have been used to fund petting zoos, community fairs and, in one instance, a "rent expense."

The audit also found the agency, the Governor's Council on Alcoholism and Drug Abuse (GCADA), is overstaffed and fails to meet basic responsibilities, such as performing site reviews at the county agencies it funds. Over the last three years, the audit found, GCADA consistently distributed state funds to New Jersey's 21 counties without requiring sufficient documentation and also failed to follow up with a review of how the money was spent.

Said State Comptroller Matthew Boxer, "In too many instances, GCADA does not question why grant dollars are being requested and then fails to take a look at whether those funds have produced a positive result. We cannot permit public dollars to be handed out with a blank check."

“Drug and alcohol prevention and education are important missions,” Boxer said. “That’s why it is so crucial that the money targeted for that mission is spent appropriately.”

The audit of GCADA is the first the state agency has undergone since its inception in 1989.

In addition to making 10 recommendations for GCADA, the OSC’s report suggests state policymakers evaluate consolidating the agency within the Department of Human Services’ Division of Addiction Services (DAS). The move would save the state an estimated \$600,000 in operating costs, in addition to other efficiencies obtained through DAS combining GCADA’s grant funds with grants it is already awarding. Both DAS and GCADA are currently responsible for the planning and provision of New Jersey’s efforts to prevent alcoholism and drug abuse.

In its response to the OSC’s report, GCADA noted it has either begun to take steps – or planned to take steps – to comply with all 10 of the audit’s recommendations. The agency opposes the notion of consolidating its operations within the Division of Addiction Services.

Among the specific findings in the report:

GCADA delegates the grant approval process to the grant recipient

GCADA’s chief responsibility is reimbursing local entities for drug and alcohol abuse prevention efforts, yet it fails to require detailed records justifying those reimbursements. One grant recipient was reimbursed for its entire annual grant award of \$97,000 without any purchase orders or invoices identifying the goods or services acquired. Another was reimbursed for more than \$11,000 in supplies without documentation.

GCADA does not conduct required annual site reviews

Of the 21 county site reviews GCADA is required to conduct, eight were not conducted in 2007. GCADA could not locate any documentation for five others. Little documentation was offered for the remaining reviews, leading OSC auditors to determine the reviews were of little value.

GCADA does not know if the programs it funds produce positive results

The audit found GCADA has no mechanism in place to assure that funded programs produce tangible results. Among the activities funded by GCADA were \$2,500 for petting zoos and pony rides that were categorized as consulting and supplies and \$2,425 for a fun house, walk-around characters, tattoos and balloon art at a community day event. Another expenditure was for a monthly “rent expense” totaling \$2,700 for

grant year 2007. The checks were paid directly to the municipal coordinator and sent to her residential address. There was no documentation justifying the expense.

“Public dollars are scarce,” Boxer said. “It is not acceptable for a government agency to cut \$30 million in checks over three years without attempting to find out what the public is getting for its money.”

Some GCADA employees have few or no job responsibilities

Of GCADA's 12 employees, five are either clerical or support staff. GCADA management confirmed certain employees are not always productive during work hours because there is not enough work to keep them busy. Perhaps as a result of this overstaffing problem, GCADA records show an excessive use of sick time. The audit found seven of the 12 GCADA employees, including management, exceeded their annual allotment of sick days without adequate documentation.

Recommendations

The OSC report makes 10 recommendations to improve GCADA's operations, including reallocating staff, establishing specific guidelines to govern fiscal reviews and developing a system to evaluate the effectiveness of funded programs.

The Office of the State Comptroller began its review of GCADA after receiving a tip from the public as well as information from the Department of the Treasury. Boxer thanked both for their assistance.

Boxer also thanked the OSC auditors, investigators and staff attorney who conducted the audit.

In accordance with state statute, GCADA is required to report periodically to the Office of the State Comptroller to detail what steps it has taken to implement the audit's recommendations.