



**STATE OF NEW JERSEY  
OFFICE OF THE STATE COMPTROLLER**

**NEW JERSEY SHARES, INC.**

**SELECTED FISCAL AND OPERATING PRACTICES**

**A. Matthew Boxer  
COMPTROLLER**

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PA-17**

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# BACKGROUND

New Jersey SHARES, Inc. (NJ SHARES) is a non-profit organization established in 1998 by several New Jersey energy companies and non-profit organizations. NJ SHARES was created to provide financial assistance to individuals and families living in New Jersey who are in need of temporary help in paying their energy bills. NJ SHARES is overseen by a board of directors that includes representatives from these non-profit organizations and energy companies, as well as other individuals.

During the three-year period of January 1, 2009 to December 31, 2011, the State of New Jersey (State) awarded NJ SHARES approximately \$21 million in funding for energy assistance programs as shown in Table 1.

<b>Funding Source</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Total</b>
<b>Budget Appropriation</b>	\$12,987,601	\$1,985,328	\$0	\$14,972,929
<b>Regional Greenhouse Gas Initiative Surcharge</b>	\$2,769,015	\$50,000	\$0	\$2,819,015
<b>Unclaimed Customer Funds</b>	\$1,700,096	\$884,303	\$840,906	\$3,425,305
<b>Total</b>	<b>\$17,456,712</b>	<b>\$2,919,631</b>	<b>\$840,906</b>	<b>\$21,217,249</b>

Most of NJ SHARES' funding (\$17.8 million) was received through legislative appropriation or through funding resulting from the State's participation in the Regional Greenhouse Gas Initiative (RGGI). The appropriated funds were allocated to the State's Department of the Treasury to be assigned to NJ SHARES as part of the "New Jersey Economic Assistance and Recovery Plan." The RGGI funding stemmed from proceeds from auctions of carbon dioxide allowances purchased primarily by utility companies. As part of an effort to assist low-income and moderate-income residential electricity consumers, these RGGI funds were provided to NJ SHARES following a Request for Proposals

process administered by the State's Board of Public Utilities (BPU) in early 2009. The statute authorizing that funding provides that the Office of the State Comptroller is to review the fiscal oversight of the funding and its uses. *N.J.S.A. 26:2C-51d.*

NJ SHARES also receives escheat funding from the Department of the Treasury, as required by *N.J.S.A. 46:30B-74*. Specifically, this funding provides NJ SHARES with 75 percent of the unclaimed customer funds received by the State from each electric and gas utility company in New Jersey. State law requires that these funds be used to provide temporary financial assistance to residential customers having short-term difficulty paying their energy bills. *N.J.S.A. 48:2-29.40.*

In addition to these State funds, from 2009 through 2011 NJ SHARES received approximately \$2.2 million in funds that were donated to NJ SHARES by various utility companies and their customers. NJ SHARES also receives separate funding from a private telecommunications company to provide outreach and enrollment services for an unrelated program that offers discounted local telephone service to eligible low-income customers in New Jersey. From 2009 through 2011, NJ SHARES received approximately \$3.8 million from this company to provide these services.

Applications for energy assistance are accepted by NJ SHARES through an extensive network of intake agencies located throughout the State. As of October 2011, these intake agencies were comprised of 159 non-profit or human services agencies and 73 State legislative offices. Eligibility for grants is based on income level, a demonstrated financial crisis and a history of good-faith energy bill payments.

Grants are awarded to eligible applicants on a "first come, first served" basis. Upon approval, an individual or household can receive one NJ SHARES grant per calendar year of up to \$700 for heating bills (gas, oil, propane or electric heat) and up to \$300 for electricity bills. The grants are applied directly to the recipient's utility bills. During our testing period of January 1, 2009 to July 18,

2011, NJ SHARES awarded a total of 33,771 energy assistance grants. This included 19,113 grants awarded in 2009, 11,936 in 2010, and 2,722 in 2011.

Due to limited funding, not all eligible applicants receive NJ SHARES grants. For example, approximately 19,000 applicants were denied assistance in 2010 because the program had run out of funds.

# AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The objective of our audit was to evaluate the fiscal and operating practices of the NJ SHARES organization, as well as the effectiveness of NJ SHARES in meeting its purpose. Our audit covered the period January 1, 2009 through September 7, 2012. Specifically, we evaluated:

1. the financial eligibility of grant recipients;
2. the grant application and award process;
3. the appropriateness and reasonableness of NJ SHARES' expenditures;  
and
4. the security of NJ SHARES' on-line operations.

This audit was performed pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.* We conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits. 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To accomplish our objective, we interviewed NJ SHARES staff concerning the areas noted above. We also interviewed personnel and conducted site visits at NJ SHARES' intake agencies as part of our review of the grant application process. Additionally, we reviewed relevant federal and State laws as well as internal policies, procedures and guidelines developed by NJ SHARES.

To conduct our program eligibility testing, we analyzed a random sample of 338 grant applications out of a total of 33,771 grants that were awarded by NJ SHARES from January 1, 2009 to July 18, 2011. We determined whether the applications contained the required supporting documentation and sought to verify the accuracy of the information provided. For example, we compared information as reported by the applicants with information reflected in third-party sources such as income tax returns filed with the State's Division of

Taxation (Taxation) and wage reports from the State's Department of Labor and Workforce Development (LWD).

In conducting our expenditure testing, we selected a judgmental sample of 12 of NJ SHARES' American Express credit card statements and 50 general ledger transactions covering the period January 1, 2009 to July 9, 2011. Additionally, we compared the grant award process used by NJ SHARES to the grant award process of similar programs outside of New Jersey. Specifically, we interviewed representatives and reviewed documents from similar programs in seven other states and the District of Columbia.

# SUMMARY OF AUDIT RESULTS

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Our audit found that NJ SHARES' controls and procedures for determining grant eligibility could be improved. Out of our sample of 338 grant recipients, we identified 31 recipients who either should have been deemed ineligible or may have been ineligible for an energy assistance grant based on the income they reported on their State tax returns or income information maintained by LWD. For example, one applicant stated a gross monthly income of \$3,989 on her NJ SHARES application. However, we found her spouse additionally earned approximately \$5,445 per month. If the spouse's gross monthly income had been included as required, the household would have been \$3,331 over the income eligibility limit and deemed ineligible for an NJ SHARES grant.

We also identified 114 recipients out of the 338 who should have been deemed ineligible for their NJ SHARES grant because they did not meet or did not document that they met other program eligibility requirements.

Despite turning away thousands of applicants due to limited program funding, the average grant awarded by NJ SHARES (\$587) was substantially larger than those provided through the federal Low Income Home Energy Assistance Program (\$331 in 2010), as well as those provided through similar programs administered by the seven other states that we surveyed. Further, NJ SHARES grants are being made available to households with significantly higher annual incomes than similar programs in these other states.

In addition, NJ SHARES' weak financial controls contributed to questionable spending on items such as trips to Atlantic City and Washington, D.C.; restaurant charges that each exceeded \$1,000; catered affairs at New Jersey Devils hockey games; and liquor store charges.

We make 13 recommendations to address the deficiencies we found.



# AUDIT FINDINGS AND RECOMMENDATIONS

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## Grant Eligibility

*Controls and procedures for determining grant eligibility could be improved.*

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NJ SHARES provides energy assistance grants to eligible applicants who are unable to obtain assistance from other, similar programs such as the Low Income Home Energy Assistance Program (LIHEAP) or the Universal Service Fund (USF). LIHEAP is a federally funded program that helps families and individuals with paying their energy bills. In New Jersey, LIHEAP is administered by the State's Department of Community Affairs (DCA) and is available to applicants whose income is less than 200 percent of the Federal Poverty Level (FPL). USF is a State-funded program that is limited to recipients earning less than 175 percent of the FPL.

According to NJ SHARES' grant eligibility guidelines, successful applicants must:

- reside in New Jersey;
- be experiencing a financial crisis resulting from an event such as job loss or illness;
- be delinquent on their energy bill payments;
- have a total monthly income that is too large to qualify for LIHEAP or USF, but does not exceed 400 percent of FPL (for example, 400 percent of FPL for a household of five currently is \$108,040 annually); and
- have made a good-faith payment of \$100 or more to their utility company within 90 days prior to applying for the NJ SHARES grant.

NJ SHARES' eligibility guidelines require that the applicant provide the following documents to the intake agency at the time of the application:

- proof of personal identification;
- proof of household income received over the last four consecutive weeks; and
- the applicant's most recent utility bill.

Overall during 2009 and 2010, 78 percent and 73 percent, respectively, of NJ SHARES grant recipients claimed “high energy costs” as the sole reason for experiencing a financial crisis. While “high energy costs” is an option listed on the grant application, it is neither cited in NJ SHARES’ guidelines nor in its grant agreement with BPU as an event that qualifies as a financial crisis. Similarly, statutory law concerning use of the escheat funding received by NJ SHARES references “temporary financial reversal, medical crisis or other family problem” as bases for a funding award. *N.J.S.A. 48:2-29.38*. In light of the number of eligible applicants being turned away for assistance, NJ SHARES should consider the merits of awarding grants based solely on general assertions of high energy costs.

In addition, our eligibility testing for a sample of 338 grant applications found flaws in the administration of the eligibility process. These deficiencies are set forth below.

#### *Income Verification*

We compared the information provided by grant recipients on their NJ SHARES application with income information they reported to Taxation on State income tax returns for calendar years 2009 and 2010. Of the 338 sampled grant recipients, Taxation was unable to provide data for 115 recipients because they had not filed tax returns. For the remaining 223 recipients, we found some significant differences between income as reported on NJ SHARES applications and income as reported to Taxation. Based on the income reported to Taxation, 31 recipients (14 percent) either should have been deemed ineligible or may have been ineligible to receive an energy assistance grant because their income was more than 400 percent of the FPL in the year they applied.

For example, a two-member household reported a gross monthly income of \$2,845 on their 2009 NJ SHARES application (equating to an annual estimated income of \$34,140), yet the same household reported a total income of \$146,570 on their 2009 tax return. The income reported to Taxation was 429 percent greater than the estimated annual income based on their NJ SHARES application.

One of the requirements to receive an NJ SHARES grant is to provide proof of income for all members of the applicant's household. However, we found that if no proof of income is provided by an applicant for their spouse or another adult member of their household, the intake agencies frequently do not inquire further. Moreover, NJ SHARES does not require other members of the applicant's household to submit their Social Security number or other form of identification, such as a driver's license or birth certificate. This increases the risk of applicants falsely inflating household size to trigger higher income ceilings.

For example, we identified 43 grant recipients in our sample who stated they were married on their NJ SHARES application, but included no proof of income for their spouse along with the application. We reviewed these recipients' Taxation data to confirm their marital status. Sixteen of the recipients did not file a State tax return for the year of their application. Of the remaining 27 recipients, 9 either filed as "single" or "head of household" during the same year they stated they were married on their application. Applicants filing a tax return as "head of household" may either be single, or be married but living apart from their spouse. In either case, the NJ SHARES applicant would be unable to properly include a spouse as a member of their household on their NJ SHARES application. This raises the question whether these applicants were falsely claiming married status on their NJ SHARES application to qualify for the less restrictive income requirements available to larger households.

We also identified seemingly ineligible program participants through a review of income information in the quarterly wage database maintained by

LWD. The database reflects information as reported to LWD by New Jersey employers. We specifically found instances where either the applicant or the applicant's spouse had earned income, but that income was not included on the NJ SHARES application. For example, one applicant stated a gross monthly income of \$3,989 on her application. However, we found her spouse additionally earned approximately \$5,445 per month. If the spouse's gross monthly income had been included as required, the household would have been \$3,331 over the income eligibility limit and deemed ineligible for an NJ SHARES grant.

Similarly, one applicant from a five-person household failed to report her own income on the NJ SHARES application and instead reported only her husband's gross monthly income (\$5,244.32). If her gross monthly income (\$4,429.22) would have been included on the application, the household would have been deemed ineligible to receive a grant as their gross monthly income would have been \$1,043.54 over the income eligibility limit.

We also note that eligibility for an NJ SHARES grant requires a one-person household to have a total income of at least \$18,960 and a two-person household to have a total income of at least \$25,500. Therefore, in accordance with the income taxation thresholds set forth by State law, in theory all NJ SHARES grant recipients should have filed a State tax return. For the 115 grant recipients in our sample who did not file a tax return, based on pay stubs they provided to NJ SHARES we found 52 recipients were receiving employment income implicating tax filing requirements. We have reported these individuals to Taxation for review and appropriate action.

By simply requiring grant applicants to provide a copy of their most recent income tax return or other tax documentation (e.g., Form W-2), NJ SHARES could better determine an applicant's income and marital status, and thus identify potentially ineligible applicants.

### Documentation Requirements

We also reviewed the NJ SHARES files of our sample of 338 grant recipients to determine if those files contained all required documentation as per NJ SHARES guidelines. We found numerous instances in which grant recipients received financial assistance despite the absence of such required documentation. Specifically, 114 of the files (more than one-third) were missing required documentation such as proof of income or most recent energy bill and/or had not made a good-faith payment of at least \$100 within 90 days prior to applying for the NJ SHARES grant.

### **Recommendations**

1. Reconsider and document the merits of applicants claiming high energy costs as the sole basis for establishing that they are experiencing a financial crisis.
2. Strengthen income verification procedures by requiring applicants to submit their income tax return or other tax documentation as part of the income verification process.
3. Require the submission of Social Security numbers or similar identification documents for all members of the applicant's household.
4. Obtain proof of income documentation for all adult members of the applicant's household. If an adult member of the household does not report any income, consider requiring completion of an affirmation of no income or similar documentation.
5. Monitor adherence to stated eligibility and documentation requirements and do not award grants to applicants who do not meet those requirements.

## Grant Awards

*The grants awarded by NJ SHARES are made available to households with higher annual incomes as compared to LIHEAP and energy assistance programs in other states. Nonetheless, the average grant awarded by NJ SHARES is larger than the average grant awarded by LIHEAP and energy assistance programs in those other states.*

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The average grant awarded by NJ SHARES is larger than the average grant awarded by the LIHEAP program, even though NJ SHARES grants are provided to recipients with incomes that are too large to qualify for the LIHEAP program. As set forth by NJ SHARES' board of directors and agreed upon by the BPU, NJ SHARES awards grants of up to \$700 for heating bills and \$300 for electricity bills, for a maximum total of \$1,000. In order to receive the maximum grant amount, an applicant's outstanding bill balance must be larger than \$700 and \$300 respectively. The maximum amount of \$1,000 was awarded to approximately 21 percent of the 33,771 total grant recipients from January 2009 to July 2011. The average grant amount was \$587.

In comparison, according to DCA the average annual LIHEAP benefit was \$551 per household in 2009 and \$331 per household in 2010. In addition to LIHEAP, qualified low-income households in New Jersey could potentially receive energy assistance from USF as well.

Households that are most disadvantaged economically could receive comparatively less of this publicly funded financial assistance. In fact, because the average NJ SHARES grant is typically larger than the average grant provided by LIHEAP, a case manager at one of the intake sites we visited noted that applicants sometimes try to put together additional sources of income that would qualify them for an NJ SHARES grant, rather than one from LIHEAP.

We also compared NJ SHARES' grant award program to the analogous grant award programs in seven other states and the District of Columbia. Those seven other states were California, Connecticut, Georgia, Maryland, Minnesota, New

York and Oregon. All of those programs provide qualifying residents with energy assistance in addition to LIHEAP.

Our comparison found that the grants awarded by NJ SHARES are significantly larger than those awarded by each of these other programs. As shown in Table 2, five of the eight programs (California, Connecticut, Maryland, New York and Oregon) reported an average grant amount that was approximately half or less than half of NJ SHARES’ average grant amount of \$587. The largest average grant amount among the seven states we sampled was \$363 (Minnesota), which is approximately 62 percent of NJ SHARES’ average grant amount.

<b>Table 2 – NJ SHARES Grant Amounts as Compared to Programs in Seven Other States and the District of Columbia</b>									
	<i>NJ (NJ SHARES)</i>	<i>CA (Relief for Energy Assistance Through Community Help)</i>	<i>CT (Operation Fuel)</i>	<i>GA (Heating Energy Assistance Team)</i>	<i>MD (Fuel Fund of Maryland)</i>	<i>MN (Reach Out for Warmth)</i>	<i>NY (HeartShare Human Services)</i>	<i>OR (Oregon HEAT)</i>	<i>District of Columbia (Area Fuel Fund)</i>
<b>Average Grant Award</b>	\$587	\$298	\$250	\$344	\$181	\$363	\$200*	\$296	\$350

NJ SHARES turned away approximately 19,000 applicants in 2010 due to limited program funding. We also found that in 2011, approximately 21 percent of all NJ SHARES grant recipients had received at least one NJ SHARES grant in a prior year. This is notable, in part, because the NJ SHARES funding is intended to serve as temporary assistance to households having short-term difficulty paying their energy bills. Decreasing the amount of the grant awards and prohibiting repeat recipients from applying would allow NJ SHARES to provide assistance to additional households.

We also found that the income limits for an NJ SHARES grant are significantly larger than the income limits set by similar programs in the other states we reviewed. These maximum income amounts are set by NJ SHARES’ board of

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\* A representative from HeartShare Human Services of New York said his organization does not calculate its average grant award but said a large percentage of recipients received the maximum award amount of \$200. Therefore, the average award amount could not exceed \$200, which is less than half of NJ SHARES’ average grant award.

directors and ultimately approved by BPU. The results of our analysis are set forth in Table 3.

**Table 3 - Maximum Annual Income for NJ SHARES Grants as Compared to Seven Other States and the District of Columbia**

<i>Number of People in Household</i>	<i>NJ (NJ SHARES)</i>	<i>CA (Relief for Energy Assistance through Community Help)</i>	<i>CT (Operation Fuel)</i>	<i>GA (Heating Energy Assistance Team)</i>	<i>MD (Fuel Fund of Maryland)</i>	<i>MN (Reach Out for Warmth)</i>	<i>NY (HeartShare Human Services)</i>	<i>OR (Oregon HEAT)</i>	<i>District of Columbia (Area Fuel Fund)</i>
1	\$44,680	\$30,500	\$21,780	\$21,504	\$22,340	\$27,144	\$25,750	\$22,493	\$21,780
2	\$60,520	\$30,500	\$29,420	\$28,116	\$30,260	\$35,496	\$33,673	\$29,414	\$29,420
3	\$76,360	\$35,800	\$37,060	\$34,728	\$38,180	\$43,848	\$41,596	\$36,335	\$37,060
4	\$92,200	\$43,200	\$44,700	\$41,340	\$46,100	\$52,200	\$49,519	\$43,256	\$44,700
5	\$108,040	\$50,600	\$52,340	\$47,964	\$54,020	\$60,552	\$57,442	\$50,177	\$52,340
6	\$123,880	\$58,000	\$59,980	\$54,576	\$61,940	\$68,904	\$65,365	\$57,098	\$59,980
7	\$139,720	\$65,400	\$67,620	\$55,812	\$69,860	\$70,468	\$66,850	\$58,396	\$67,620
8	\$155,560	\$72,800	\$75,260	\$57,060	\$77,780	\$72,036	\$68,336	\$59,693	\$75,260

For example, six of the eight programs (California, Connecticut, Georgia, Maryland, Oregon and the District of Columbia) set forth a maximum annual income amount for a five-person household that is approximately half or less than half of NJ SHARES’ income limit of \$108,040. Other than New Jersey, the state with the largest income cap for a five-person household is Minnesota, which has a cap of \$60,552, or approximately 56 percent of NJ SHARES’ income cap. Similarly, New York’s income cap for a five-person household is \$57,442, which is approximately 53 percent of NJ SHARES’ income cap.

**Recommendations**

6. Consider more closely aligning the amount of grant awards with those of similar programs nationwide in order to provide assistance to households that otherwise would be denied a grant due to limited funding.
7. Consider more closely aligning income caps with those of other programs nationwide in order to provide assistance to additional lower income households that otherwise would be denied a grant due to limited funding.



## **Program Expenditures**

*NJ SHARES' weak financial controls contributed to inappropriate spending.*

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### *Questionable Expenditures and Problematic Accounting Practices*

In addition to administering its energy assistance program, NJ SHARES provides outreach and enrollment services for a program that is funded by a private telecommunications company. This program offers discounted telecommunications service to low-income customers in New Jersey. While the funds for this program are provided by a private company, our audit determined that they have been commingled with the energy assistance funds received from the State in an NJ SHARES business checking account.

During our review of NJ SHARES expenditures from this account, we identified numerous transactions in NJ SHARES' general ledger and American Express card (AMEX) statements that we considered questionable.

The questionable expenditures we identified include:

- Eight restaurant charges each exceeding \$1,000, totaling \$32,322. NJ SHARES stated that these restaurant charges were for community outreach events. Apart from the receipts themselves, however, no supporting documentation was provided. Moreover, NJ SHARES was unable to provide us with a list of attendees at most of these events. Instead, they described the attendees generically as community representatives.
- Numerous charges for promotional NJ SHARES merchandise giveaways, such as hand sanitizer, notebooks, mints and canvas bags, totaling \$8,698. NJ SHARES staff noted that NJ SHARES now has a surplus of these promotional items, which are kept in storage. A monthly fee is incurred for the storage services.

- Catered affairs at New Jersey Devils hockey games totaling \$2,676, which NJ SHARES stated were for community outreach purposes.
- Several trips to Atlantic City and Washington, D.C., totaling \$2,669. NJ SHARES stated to us that the trips were for community outreach events or professional development conferences. No supporting documentation was provided for the events or conferences.
- Liquor store charges totaling \$350, which NJ SHARES stated were for annual luncheons for NJ SHARES' board of directors.

Moreover, our review of a sample of NJ SHARES' AMEX statements found the following:

- 86 of 862 transactions reviewed were missing a receipt or similar form of supporting documentation. NJ SHARES representatives told us that this was due to NJ SHARES' administrative office having been moved twice over the last few years and the documents having been either misplaced or filed incorrectly.
- 74 of the 862 transactions were charged to an incorrect expense account in NJ SHARES' general ledger. For example, we found lunch charges for NJ SHARES employees had been charged to a "Supplies" account. Also, gas station charges incurred by NJ SHARES employees had been charged to a "Rent" account. The number of errors and the nature of some of the errors could indicate an intent to hide certain transactions.
- For one of the AMEX statements, we were unable to trace 95 of the 111 transactions to accounts charged in the general ledger. Specifically, the amounts set forth in the AMEX statement did not match the amounts that were recorded in the accounting documentation.

As a result of the commingling of State funds with funding from outside sources, as well as these errors in the accounting records, we could not determine if the questionable expenditures identified above were paid with State funds.

### Policies and Procedures

NJ SHARES does not maintain written policies or procedures pertaining to credit card usage, accounting of expenses, travel, reimbursable costs, or wireless phone distribution and usage. Having such policies and procedures in place would establish a stronger system of internal control and would discourage abuse. For example, it is important to develop written policies and procedures concerning NJ SHARES credit cards, covering specific areas such as card distribution, spending limits, expense reporting and supporting documentation. By adopting these policies and procedures, the aforementioned instances where transactions were charged to the incorrect expense accounts could have been deterred or prevented.

NJ SHARES has documented an “Appropriate Employee Conduct” policy for its staff. That written policy states that “bringing or using alcoholic beverages on the property or using alcoholic beverages while engaged in NJ SHARES business off the premises is considered unacceptable.” Nonetheless, during our review of NJ SHARES’ AMEX statements and accompanying receipts, we identified several restaurant charges with alcohol on the bill, in addition to the liquor store charges previously mentioned. For example, one restaurant charge in Atlantic City included alcohol charges totaling \$3,339.

At the audit exit conference and in response to our audit work, NJ SHARES provided us with newly developed policies and procedures concerning credit card usage, travel, reimbursement of expenses, accounting for expenses, and wireless phone distribution and usage.

### **Recommendations**

8. Use a separate bank account for funds received from the State of New Jersey to segregate funds that are designated for energy assistance purposes.
9. Charge transactions to the correct general ledger accounts and in the correct amount.

10. Develop, implement and monitor adherence to credit card policies and procedures regarding card distribution, spending limits, expense reporting and supporting documentation.
11. Develop, implement and monitor adherence to policies and procedures for NJ SHARES employees regarding travel, reimbursement of expenses, accounting of expenses and wireless phone distribution and usage.
12. Enforce the “Appropriate Conduct Policy” concerning employees’ use of alcoholic beverages while engaged in NJ SHARES business.

## **System Security**

*NJ SHARES' lack of monitoring has jeopardized the security of its web-based intake system and the personal financial information of grant applicants.*

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As noted previously, NJ SHARES has an extensive network of 232 intake agencies, consisting of 159 non-profit or human services agencies and 73 legislative offices. Staff members at these offices are granted access to NJ SHARES' web-based intake system and are responsible for the collection of required documentation, the screening of clients for program eligibility purposes and the electronic processing of grant applications. Through this web-based system, these staff members electronically submit grant applications and supporting documentation to NJ SHARES' headquarters for review.

When such personal financial information is being retrieved by staff members at many different locations, system security should be a priority. We therefore compared records supplied by NJ SHARES to those maintained by individual intake sites to reconcile their lists of users with access to the NJ SHARES web-based system. Specifically, NJ SHARES supplied us with its list of intake agencies, including a list of all staff members at those agencies with system access. From that list, we generated a sample of intake agencies to review. Those intake agencies were then contacted to obtain their current list of employees with system access.

Of the 127 intake staff members we ultimately reviewed, 36 (28 percent) were identified as no longer employed by the corresponding intake agency. NJ SHARES had not discontinued system access for these individuals, which heightens the risk of grant applicants' personal information being accessed by unauthorized persons.

Although NJ SHARES has policies and procedures in place concerning intake agencies granting new employees access to its web-based system, it has not set forth policies or procedures that require intake agencies to communicate subsequent staffing changes to NJ SHARES. Similarly, NJ SHARES has no

policies or procedures concerning revoking system access when its personnel are made aware of any such changes.

During our audit, we provided NJ SHARES with the list of system users we identified as no longer employed at the intake agencies. NJ SHARES then deactivated the access for those users.

### **Recommendation**

13. Develop and implement written policies and procedures that require intake agencies to communicate relevant staffing changes to NJ SHARES in a timely manner. Establish policies and procedures concerning revoking system access for those staff members who are no longer employed by an intake agency.

# REPORTING REQUIREMENTS

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We provided a draft copy of this report to NJ SHARES officials for their review and comment. Their comments were considered in preparing our final report and are attached as Appendix A. We address selected points from the response in Comments set forth in Appendix B.

NJ SHARES' response did not agree with some of the report's conclusions and recommendations. NJ SHARES did, however, agree to evaluate steps it could take to strengthen its grant eligibility process. NJ SHARES also agreed to take steps to strengthen its internal financial controls and, concerning some areas, already has provided us with enhanced procedures in this regard.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement, NJ SHARES shall report to the Office of the State Comptroller, within 90 days of the date of this report, the corrective action taken or underway to implement the recommendations contained in this report and, where not implemented, the reason therefore. *N.J.A.C. 17:44-2.8(a)*.



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November 20, 2012

Mr. William P. Challice  
Director, Audit Division  
Office of the State Comptroller  
P.O. Box 024  
Trenton, NJ 08625-0024

Dear Mr. Challice:

Attached please find our response to the draft copy of the performance audit conducted by your office. We appreciate the opportunity to respond to the performance audit. Our response includes several items that were discussed with your staff during the audit and again at the exit interview.

We would like to thank you and your staff for the professionalism and courtesies extended during the audit.

Very truly yours,

A handwritten signature in black ink that reads "James M. Jacob".

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James M. Jacob





**State of New Jersey**  
**Office of the State Comptroller**  
**Response to Audit**

## **Our Mission**

New Jersey SHARES, Inc. is a statewide non-profit corporation primarily providing assistance to individuals and families in need of help meeting their energy and utility burden. Through assistance, advocacy, community outreach, education, information and referral, we connect low and moderate income households with available resources.

## **Summary**

New Jersey SHARES, Inc. (NJS) is a non-profit 501(c) (3) statewide organization that helps New Jersey households that have fallen behind on their natural gas and electric bills due to a temporary financial crisis. A financial crisis can happen to anyone, regardless of age, income, or family situation. A crisis is often due to unforeseen circumstances, such as job loss, underemployment or illness. NJS provides relief to people who are not eligible for other types of assistance. NJS was created to serve working poor, moderate and fixed income households that are not eligible for the LIHEAP or Universal Service Fund (USF) programs. Since its inception, in 1998 NJS has assisted more than 174,500 households in crisis.

NJS is part of the safety-net for energy assistance in New Jersey. In addition to LIHEAP low-income state residents can receive USF credits. USF was created by the NJ Board of Public Utilities (BPU) to help make energy bills more affordable for qualifying households whose annual household income is at or below 175% of the Federal Poverty Level (FPL). The program was designed so that households most in need receive the highest benefit by using a percentage of income formula. Benefits appear as a credit on the household electric and/or gas bill (capped at \$1,800 per year). USF also contains a Fresh Start component. Fresh Start, a special program under USF, allows eligible New Jersey households participating in USF for the first time to earn forgiveness for pre-existing arrearages by making full, on-time payments for 12 months.

The State of New Jersey created an additional program to address the high energy burden of its residents. The N.J. Board of Public Utilities approved TRUE “Temporary Relief for Utility Expenses (TRUE) Program”. This is a grant award for energy assistance program. This assistance program is intended for those low to middle income New Jersey residents who, because of an economic hardship, are struggling to pay their electric and natural gas bills. The Board’s action allocated \$25 million in Societal Benefits Charge (SBC) funds for utility assistance grants to low and middle income households seeking temporary assistance. The program proposal includes a maximum annual household benefit of \$1,500.00.

The TRUE grant assistance program benefits eligible low and moderate income homeowners and renters who are: New Jersey residents; not enrolled in or eligible for either the Board’s Universal Service Fund (USF) program or the Low Income Home Energy Assistance Program (LIHEAP); facing a crisis situation that includes a documented notice of overdue payment for gas and/or electric service. Income eligibility for the TRUE program exceeds the NJS maximum of 400%.

The USF program is a national model that incorporates LIHEAP grants and USF utility credits to create a program to significantly address the energy burden of low-income households. The TRUE program created by the BPU mirrors the NJS recognition that high energy costs create a

crisis situation for households that have a documented notice of overdue payment for gas and/or electric service.

NJS partners with human service agencies, faith based organizations and legislative offices with intake sites statewide to provide critically needed energy assistance to families that are not eligible for other programs. Throughout the state, our partners address a broad spectrum of client needs. Providing case management services, they assist households with counseling, nutrition, housing, employment, as well as energy issues. Working together with our partner agencies we provide a holistic solution to the household's temporary or ongoing needs. NJS provides assistance to households that do not qualify for government funded low-income assistance programs. NJS grants are paid directly to the energy provider. NJS grants are frequently combined with other assistance grants available from our partner agencies (e.g. mortgage or rent payments) to provide a comprehensive solution for families in need.

While NJS grants are higher than grants awarded by organizations in other states, NJS grants are lower than the LIHEAP/USF combination grants and the TRUE program grants approved by the State of New Jersey. The programs in other states supplement LIHEAP because these states do not have a state sponsored program similar to USF. NJS was created to serve households with incomes greater than the LIHEAP and USF standard of need. In addition, NJS has utilized an annual evaluation of our program conducted by APPRISE, a nationally recognized research firm, to monitor the impact of grant size on household stability. The outcomes are improved by a higher grant award.

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OSC notes that in 2011 approximately 21% of all NJS recipients had received at least one grant in a prior year. In 2011, the percentage of recipients receiving grants in more than one year was lower than the previous year. The USF, LIHEAP and TRUE programs all serve clients for multiple years.

The review of grants awarded included information obtained from the Division of Taxation and the Department of Labor and Workforce Development. (DLWD) These sources of information utilized by the Office of the State Comptroller (OSC) were not and are not available to NJS as a means of verifying household income. OSC has confirmed that access to these state entities is not available to NJS. NJS made grant determinations based on the information provided by applicant households.

NJS will evaluate the recommendation regarding obtaining income tax returns; however, this change would not provide a safeguard against incorrect information. Prior year returns do not reflect the current 30 day status of a household. Significant changes in household composition and income routinely occur. Marriage, divorce, births, death, retirement, changes in custody for children, employment status and a host of other variables present difficulties with this form of documentation. Copies of tax returns are not certified documents and could misrepresent income or household size from the previous year. In addition, some returns are very complicated documents and our network of partners might not feel qualified to interpret the documents. Numerous state and federally funded assistance programs do not require income tax returns since they are based on current household income as is NJS. LIHEAP, USF and NJ TRUE do not require income tax returns. Our inability to access DLWD records precludes our verification of current income beyond obtaining the information from clients.

In an effort to better serve households in crisis, avoid unnecessary loss of utility service and the dangers that face a household without service, NJS does not reject an application if it is missing a copy of the utility bill. All utility grants are verified with the specific utility provider. The utilities

confirm the name of the customer of record, account number, current balance due and good faith payments. The utilities must also confirm their willingness to accept our grant to restore or continue utility service. Thirteen of the OSC findings were in this category. Good faith payments can be made prior to the application's submission or before a final grant determination is completed. Good faith payments may also be split between the electric and natural gas providers for the period of 90 days prior to the application up to the date that the client's information is verified by the utility company. Sixty-five of the OSC findings were in this category. NJS has utilized this process of verifying utility bills and good faith payments made prior to grant determination with the utility companies since it implemented a centralized processing system and web-based application on January 1, 2004.

OSC comments on trips to Atlantic City and Washington, DC as well as restaurant charges, charges at a NJ Devils hockey game and liquor store charges.

The trips referred to by OSC were all legitimate Communications Lifeline outreach initiatives approved by and fully funded by the telecommunications company for their program:

- Outreach to Building and Trades Union during this troubled economic time
- Community Outreach at a BPU sponsored Clean Energy event
- Community Outreach at the NJ Chamber of Commerce event
- Outreach at the NJ Municipal Clerks Association event.

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The restaurant charges cited were Communication Lifeline outreach initiatives held in various locations with community representatives, telecommunications company and NJS staff. All of these outreach initiatives were approved and fully funded by the telecommunications company for their program. In addition, NJS provided the names of our staff and telecommunication company staff that were present as well as the names of community representatives when available for all of the Communications Lifeline community outreach events that were reviewed. Large outreach events often have hundreds of attendees. NJS did not collect the names of all attendees. NJS has enhanced our procedures and will collect the names of community representatives whenever possible. All of these Communications Lifeline outreach initiatives were approved by and fully funded by the telecommunication company.

The NJ Devils charges were related to an annual outreach and awareness event. The NJ Devils promote the NJS program on screens inside and outside of the venue. Supporters attend the game and NJS raises program awareness with people inside and outside of the arena.

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The reference to liquor store charges refers to expenses related to an annual luncheon for NJS Board members. The NJS Board receives no compensation or reimbursement of expenses. The annual luncheon occurred after the close of business for the annual meeting.

## **Response to Recommendations**

1. The use of high energy costs is a valid financial crisis indicator for households facing the loss of their utility service. Many other factors may contribute but clients have stated that their high energy burden was the factor that created the delinquency. The State of NJ recognizes this criterion in the USF program as well as the more recently approved BPU sponsored TRUE program. The TRUE program approval from the BPU recognizes that households face a crisis situation that includes a documented notice of overdue payment for gas and/or electric service. The NJ BPU USF program is a national model that incorporates LIHEAP grants and USF utility credits to create a program to significantly address the high energy burden of low-income households. All NJS applicants must be delinquent on their utility bills and therefore meet the State's definition of a crisis.

2. The review of grants awarded included information obtained from the Division of Taxation and the Department of Labor and Workforce Development (DLWD). These sources of information utilized by the Office of the State Comptroller (OSC) were not and are not available to NJS as a means of verifying household income. OSC has confirmed that access to these state entities is not available to NJS.

NJS will evaluate the recommendation regarding obtaining income tax returns. Prior year returns do not reflect the current 30 day income of a household. Significant changes in household composition and income routinely occur. Marriage, divorce, births, death, retirement, changes in custody for children, employment status and a host of other variables present difficulties with this form documentation. However, the recommendation regarding obtaining income tax returns would not provide a safeguard against incorrect information. Copies of tax returns are not certified documents and could misrepresent income or household size from the previous year. In addition, some returns are complicated documents and our network of partners might not feel qualified to interpret the documents. Numerous state and federally funded assistance programs do not require income tax returns since they are based on current household income as is NJS. LIHEAP, USF and NJ TRUE do not require income tax returns. Our inability to access DLWD records precludes our verification of current income beyond obtaining the information from clients.

3. Requiring the submission of SSNs or similar identification documents for all members of the applicant's household would not ensure accurate information since the applicant could omit members to reflect the stated household size.

4. Obtain proof of income documentation for all members of the applicant's household over age 18. NJS always requests household income for all household members over the age of 18. Requiring an affidavit from household members other than the applicant could have the consequence of delaying assistance and could result in the loss of utility service. NJS will review the creation of a statement of no income that could be provided to NJS in support of the application.

5. NJS does monitor adherence to stated eligibility and documentation requirements on a daily basis. Administrative staff samples the applications in process on a daily basis. NJS reserves the right to extend the period for a good faith payment and to obtain all utility information from the actual provider. These measures assist the client in crisis and preclude the loss of utility service due to unnecessary delays in receiving information that is always confirmed with the utility company. NJS has utilized this process of verifying utility bills and good faith payments made prior to grant determination with the utility companies since it implemented a centralized processing system and web-based application on January 1, 2004. Receiving this current

information from the actual energy provider provides NJS with accurate and complete information about the utility account.

6. NJS consistently evaluates the size of our grants in relation to the energy burden faced by our clients and the State of New Jersey programs that are part of the safety-net for NJ residents. NJS is a critical part of the safety-net for energy assistance in New Jersey. NJS utilizes an annual evaluation of our program conducted by APPRISE, a nationally recognized research firm, to monitor the impact of grant size on household stability. The outcomes are improved by a higher grant award. Energy usage is determined by many factors including: weather, age and size of the home, level of weatherization (if applicable), medical conditions, number of persons in a household and other possible factors. These factors contribute to a high energy burden for our clients.

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In addition to LIHEAP low-income state residents can receive USF credits. USF was created by the NJ Board of Public Utilities (BPU) to help make energy bills more affordable for qualifying households whose annual household income is at or below 175% of the **Federal Poverty Level (FPL)**. The program was designed so that households most in need receive the highest benefit by using a percentage of income formula. Benefits appear as a credit on the household electric and/or gas bill (capped at \$1,800 per year). USF also contains a Fresh Start component. Fresh Start, a special program under USF, allows eligible New Jersey households participating in USF for the first time to earn forgiveness for pre-existing arrearages by making full, on-time payments for 12 months.

High energy cost is accepted as the guiding principal of the State of New Jersey’s Universal Service Fund. The energy burden of a household is key to determining the level of assistance that is provided by the State to an eligible household. USF grants can be as high as \$1,800.00 annually. Many factors contribute to a household’s energy burden and high energy costs may be the main or a significantly contributing reason for the applicant to seek NJS assistance. The USF program is a national model that incorporates LIHEAP grants and USF utility credits to create a program to significantly address the energy burden of low-income households.

The State of New Jersey created an additional program to address the high energy burden of its residents. The N.J. Board of Public Utilities approved TRUE “Temporary Relief for Utility Expenses (TRUE) Program”. This is a grant award for energy assistance program. This assistance program is intended for those low to middle income New Jersey residents who, because of an economic hardship, are struggling to pay their electric and natural gas bills. The Board’s action allocated \$25 million in Societal Benefits Charge (SBC) funds for utility assistance grants to low and middle income households seeking temporary assistance. The program proposal includes a maximum annual household benefit of \$1,500.00. The TRUE program created by the BPU mirrors the NJS recognition that high energy costs create a crisis situation for households that have a documented notice of overdue payment for gas and/or electric service.

While NJS grants are higher than grants awarded by organizations in other states, NJS grants are lower than the LIHEAP/USF combination grants and the TRUE program grants approved by the State of New Jersey. The programs in other states supplement LIHEAP because these states do not have a state sponsored program similar to USF. NJS was created to serve households with incomes greater than the LIHEAP and USF standard of need.

7. NJS consistently reviews programs in other states but focuses on the NJ experience as outlined in recommendation 6.

8. NJS did use separate bank accounts for the RGGI and Energy Assistance Grants received during the audit period. The funds were segregated until needed for program expenses at which time they were transferred into our business checking account. All state funds received by NJS will be segregated into a separate account until expended.

9. NJS did charge transactions to the appropriate general ledger accounts and will add new more specific accounts to capture community and employee training and professional development expenses. All of the accounting documents were provided to OSC during their field work.

10. NJS has developed new procedures for credit cards, spending limits, expense reporting and supporting documentation. These procedures provide greater clarity and supplement the procedures that were in existence. The enhanced procedures have been provided to OSC.

11. NJS has developed additional procedures to address travel, reimbursement of expenses, accounting of expenses and wireless phone distribution and usage. The enhanced procedures have been provided to OSC.

12. NJS does enforce the "Appropriate Conduct Policy" concerning the use of alcoholic beverage while engaged in NJS business. NJS has never had an instance of alcohol misconduct.

13. NJS has developed an enhanced policy/procedure that requires intake agencies to communicate staffing changes/NJS system access in a timely manner. The enhanced procedure has been provided to OSC.

**Additional Comments**

**OSC:** Our audit found that NJ SHARES’ controls over grant eligibility were lacking, allowing ineligible applicants to receive financial assistance for their utility bills. Specifically, out of our sample of 338 grant recipients, we identified 31 recipients who should have been deemed ineligible for an energy assistance grant based on the income they reported on their State tax returns or income information maintained by LWD.

- **NJS researched the documentation submitted by these applicants and did not find our controls lacking.**
  - **One household only provided income for one individual to NJS.**
  - **NJS does not have access to Taxation or LWD data.**

**OSC:** In addition, NJ SHARES’ weak financial controls contributed to questionable spending on items such as trips to Atlantic City and Washington, D.C.; restaurant charges that each exceeded \$1,000; catered affairs at New Jersey Devils’ hockey games; and liquor store charges.

- **NJS did not find that our financial controls were weak. The trips referred to by OSC were all legitimate Communications Lifeline outreach initiatives approved by and fully funded by the telecommunications company for their program:**
  - **Outreach to Building and Trades Union during this troubled economic time**
  - **Community Outreach at a BPU sponsored Clean Energy event**
  - **Community Outreach at the NJ Chamber of Commerce event**
  - **Community Outreach at the NJ Municipal Clerks Association event**
- **The restaurant charges cited were Communication Lifeline outreach initiatives held in various locations with community representatives, telecommunications company and NJS staff. All of these outreach initiatives were approved and fully funded by the telecommunications company for their program.**
- **The NJ Devils charges were related to an annual outreach and awareness event. The NJ Devils promote the NJS program on screens inside and outside of the venue. Supporters attend the game and NJS raises program awareness with people inside and outside of the arena.**
- **The reference to liquor store charges refers to expenses related to an annual luncheon for NJS Board members. The NJS Board receives no compensation or reimbursement of expenses. The annual luncheon occurred after the close of business for the annual meeting.**

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**OSC:** Overall during 2009 and 2010, 78 percent and 73 percent, respectively, of grant applicants claimed “high energy costs” as the sole reason for experiencing a financial crisis. While high energy costs is a factor listed on the grant application, it is neither cited in NJ SHARES’ guidelines nor in its grant agreement with BPU as an event that could result in a financial crisis.

- **High energy cost is accepted as the guiding principal of the State of New Jersey’s Universal Service Fund. The high energy burden of a household is the key to determining the level of assistance that is provided by the State to an eligible**



**household. USF grants can be as high as \$1,800.00 annually. Energy usage is determined by many factors including: weather, age and size of the home, level of weatherization (if applicable), medical conditions, number of persons in a household and other possible factors. Many factors contribute to a household's energy burden and high energy costs may be the main or a significantly contributing reason for the applicant to seek NJS assistance**

**OSC:** In addition, our eligibility testing for a sample of 338 grant applications found flaws in the administration of the eligibility process. These deficiencies are set forth below.

We compared the information provided by grant recipients on their NJ SHARES application with income information they reported to Taxation on State income tax returns for calendar years 2009 and 2010. Of the 338 sampled grant recipients, Taxation was unable to provide data for 115 recipients because they had not filed tax returns. For the remaining 223 recipients, we found significant differences between income as reported on NJ SHARES applications and income as reported to Taxation. Based on the income reported to Taxation, 31 recipients (14 percent) should have been deemed ineligible or may have been ineligible to receive an energy assistance grant because their income was more than 400 percent of the FPL when they applied.

- **These sources of information utilized by the Office of the State Comptroller (OSC) were not and are not available to NJS as a means of verifying household income. OSC has confirmed that access to these state entities is not available to NJS.**

**OSC:** We also identified seemingly ineligible program participants through a review of income information maintained in the quarterly wage database maintained by LWD. The database reflects information as reported to LWD by New Jersey employers.

- **These sources of information utilized by the Office of the State Comptroller (OSC) were not and are not available to NJS as a means of verifying household income. OSC has confirmed that access to these state entities is not available to NJS.**

### **Documentation Requirements**

**OSC:** We also reviewed the documentation maintained in the NJ SHARES files of our sample of 338 grant recipients to determine if those files contained all required documentation. We found numerous instances in which grant recipients received financial assistance despite the absence of such required documentation. Specifically, 114 of the files (more than one-third) were missing required documentation such as proof of income or most recent energy bill and/or had not made a good-faith payment of at least \$100 within 90 days prior to applying for a NJ SHARES grant.

- **13 missing a copy of the utility bill which is not an exception for NJS**
- **65 timing of the good faith payment which is not an exception for NJS**
- **15 had documentation for the prior four weeks of income**
- **12 had inaccurate calculation or incomplete income information. The reliance on manual calculation of income has been replaced by an automated income calculator in our application database.**
- **9 misc items**

**NJS has utilized a process of verifying utility bills and good faith payments made prior to grant determination with the utility companies since it implemented a centralized processing system and web-based application on January 1, 2004.**

**Program Expenditures**

**OSC:** NJ SHARES’ weak financial controls contributed to inappropriate spending. During our review of NJ SHARES expenditures from this account, we identified numerous transactions in NJ SHARES’ general ledger and American Express (AMEX) card statements that we considered questionable.

The questionable expenditures we identified include:

Several trips to Atlantic City and Washington, D.C., totaling \$2,669. NJ SHARES stated to us that the trips were for community outreach events or professional development conferences. No supporting documentation was provided for the events or conferences.

- **NJS did not find that our financial controls were weak. Supporting documentation was supplied to OSC for the professional development and community outreach events.**

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**In addition, NJS provided the names of our staff and telecommunication company staff that were present as well as the names of community representatives when available for all of the Communications Lifeline community outreach events that were reviewed. Large outreach events often have hundreds of attendees. NJS did not collect the names of all attendees. NJS has enhanced our procedures and will collect the names of community representatives whenever possible. All of these Communications Lifeline outreach initiatives were approved by and fully funded by the telecommunication company.**

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**OSC:** Numerous charges for promotional NJ SHARES merchandise giveaways, such as hand sanitizer, notebooks, mints and canvas bags, totaling \$8,698. During an interview with NJ SHARES personnel, the staff noted NJ SHARES now has a surplus of these promotional items, which are kept in storage and for which a monthly fee is charged.

- **A storage facility is used due to a lack of space in the NJS office. The inventory surplus will be expended during several large Communication Lifeline community events during the fall. There is a delay in ordering and fulfillment which requires NJS to stock some items. The expense of these promotional items was covered by the telecommunications company as part of the outreach for their program. This facility is also used to store NJS records from prior years.**

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**OSC:** Catered affairs at New Jersey Devils games totaling \$2,676, which NJ SHARES stated were for community outreach purposes.

- **Annual NJ SHARES nights at the NJ Devils are an outreach and awareness event. The NJ Devils promote the NJS program on screens inside and outside of the venue. Supporters attend the game and NJS raises program awareness with people inside and outside of the arena.**

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OSC: Liquor store charges totaling \$350, which NJ SHARES stated were for annual luncheons for the NJ SHARES board of directors.

- **The reference to liquor store charges refers to expenses related to an annual luncheon for NJS Board members. The NJS Board receives no compensation or reimbursement of expenses. The annual luncheon occurred after the close of business for the annual meeting.**

OSC: Moreover, our review of our sample of NJ SHARES' AMEX statements found the following:

74 of the 862 transactions were charged to an incorrect expense account in NJ SHARES' general ledger. For example, we found lunch charges for NJ SHARES employees had been charged to a "Supplies" account. Also, gas station charges incurred by NJ SHARES employees had been charged to a "Rent" account. The significant amount and nature of the errors in this regard could indicate an intent to hide certain transactions.

- **NJS did charge transactions to the appropriate general ledger accounts with the exception of 11 which were charged to the appropriate program but the incorrect account. Our findings were reported to OSC and corrections were made to our accounting system. NJS has added new more specific accounts to capture community and employee training and professional development expenses.**

OSC: For one of the AMEX statements, we were unable to trace 95 of the 111 transactions to accounts charged in the general ledger. Specifically, the amounts set forth in the AMEX statement did not match with the amounts that were recorded in the accounting documentation.

- **NJS records do not indicate an inability to trace transactions.**
  - **Four transactions were credits.**
  - **NJS provided sixty six receipts to OSC during their field testing.**
  - **Thirty two other transactions were under the IRS \$75.00 threshold for receipts.**
  - **Six were for recurring monthly charges such as water delivery, receipts are not generated.**

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OSC: As a result of the commingling of State funds with funding from outside sources, as well as these errors in the accounting records, we could not determine if the questionable expenditures identified above were paid with State funds.

- **NJS provided OSC with documentation of the accounting for expenses in our general ledger during their field work. There were no questionable expenses, the expenses questioned by OSC were valid outreach expenses for a privately funded program. The outreach events were selected in conjunction with the staff of the telecommunication company in an effort to increase program enrollment statewide. The events were approved by and fully funded by the telecommunication company for their program. NJS did use separate bank accounts for the RGGI and Energy Assistance Grants received during the audit period. The funds were segregated until**

**needed for program expenses at which time they were transferred into our business checking account. All state funds received by NJS will be segregated into a separate account until expended.**

### **Policies and Procedures**

**OSC:** NJ SHARES does not maintain written policies or procedures pertaining to credit card usage, accounting of expenses, travel, reimbursable costs, or wireless phone distribution and usage. Having such policies and procedures in place would establish a stronger system of internal control and would discourage abuse. For example, it is important to develop written policies and procedures concerning NJ SHARES credit cards, outlining specific areas such as card distribution, spending limits, expense reporting and supporting documentation. By adopting these policies and procedures, the aforementioned instances where transactions were charged to the incorrect expense accounts could be deterred or prevented.

- **NJS has created policies and procedures to supplement the existing policies. NJS has provided these procedures to OSC. NJS has developed a specific expense allocation policy to address OSC observations.**

**OSC:** NJ SHARES has documented an “Appropriate Employee Conduct” policy for its staff. That written policy states that “bringing or using alcoholic beverages on the property or using alcoholic beverages while engaged in NJ SHARES business off the premises is considered unacceptable.” Nonetheless, during our review of NJ SHARES’ AMEX statements and accompanying receipts, we identified several restaurant charges with alcohol on the bill, in addition to the liquor store charges previously mentioned. For example, one restaurant charge in Atlantic City included alcohol charges totaling \$3,339.

- **The charges were related to the League of Municipalities outreach event which included community representatives, telecommunications company staff and NJS staff. Participation in this event was approved by and fully funded by the telecommunications company for their program.**

### **System Security**

**OSC:** NJ SHARES’ lack of monitoring has jeopardized the security of its web-based intake system and the personal financial information of grant applicants. As noted previously, NJ SHARES has an extensive network of 232 intake agencies, consisting of 159 non-profit organizations and 73 legislative offices. Staff members at these offices are granted access to NJ SHARES’ web-based intake system and are responsible for the collection of required documentation, the screening of clients for program eligibility purposes and the electronic processing of grant applications. Through this web-based system, these staff members electronically submit grant applications and supporting documentation to NJ SHARES’ headquarters for review.

When such personal financial information is being retrieved by staff members at many different locations, system security should be a priority. We therefore compared records supplied by NJ SHARES to those kept by individual intake sites to reconcile their lists of users with access to the NJ SHARES web-based system. Specifically, NJ SHARES supplied us with its list of intake agencies, including a list of all staff members at those agencies with system access. From that list, we generated a sample of intake agencies to review. Those intake agencies were then contacted to obtain their current list of employees with system access.

Of the 127 intake staff members we ultimately reviewed, 36 (28 percent) were identified as no longer employed by the corresponding intake agency. NJ SHARES had failed to discontinue system access for these individuals. This failure heightened the risk of grant applicants' personal information being accessed by unauthorized persons.

Although NJ SHARES has policies and procedures in place concerning intake agencies granting new employees access to its web-based system, it has not set forth policies or procedures that require intake agencies to communicate subsequent staffing changes to NJ SHARES. Similarly, NJ SHARES has no policies or procedures concerning revoking system access when its personnel are made aware of any such changes.

During our audit, we provided NJ SHARES with the list of system users we identified as being no longer employed at the intake agencies. NJ SHARES then deactivated the access for these users.

- **Limited access to the NJS application database is provided to community based organizations (CBO) to allow entry of client information and grant requests. The individual CBO only has access to the applications that they have submitted for the current calendar year. Intake site users cannot determine if a grant will be awarded nor do they contact the energy providers. Their access is limited to submitting an application for a client. An agency administrator is established at all CBO intake sites. That administrator agrees to manage user access for the employees or volunteers associated with their organization. The administrator has the ability to add or delete users as appropriate. NJS Outreach staff reinforces this responsibility at each CBO agency visit during the year and monthly via an electronic reminder. In addition, each site has on-line capability to request telephone support or an agency visit by NJS staff. The NJS database has not experienced a security issue since its creation on January 1, 2004. NJS has developed an enhanced policy/procedure that requires intake agencies to communicate staffing changes/NJS system access in a timely manner and has provided that procedure to OSC.**

## APPENDIX B

### COMMENTS ON AUDITEE RESPONSE

The following comments correspond to the auditee responses as indicated in the margins of those responses.

- 1) We reviewed the 2009 and 2010 APPRISE reports provided by NJ SHARES. While the reports indicate a number of key findings concerning NJ SHARES grant recipients, we found no mention that the outcomes for grant recipients are improved by a higher grant award.
- 2) As a result of the comingling of State funds with funding from outside sources, as well as errors in NJ SHARES' accounting records, we could not determine if these expenditures were, in fact, funded by the telecommunications company.
- 3) We do not understand how attendance of NJ SHARES officials at an annual NJ SHARES night at a New Jersey Devils game fosters the purpose of the NJ SHARES organization, which is to provide assistance to New Jersey residents who are in need of short-term financial help. We continue to question the appropriateness of these expenditures.
- 4) The material provided by NJ SHARES concerning professional conferences was generic and did not include supporting documentation concerning these expenditures.
- 5) We were unable to trace the 95 transactions because the amounts recorded in NJ SHARES' accounting records did not reconcile to the amounts on the American Express card statement.