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February 20, 2025

Tim Sullivan, Chief Executive Officer
New Jersey Economic Development Authority
36 West State Street
Trenton, NJ 08625

Re: Follow-Up Report – New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs

Dear Mr. Sullivan:

On January 9, 2019, the Office of the State Comptroller issued *New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs (2019 Audit)*, in which we made recommendations to address significant deficiencies in the Economic Development Authority's (EDA or Authority) management and oversight of tax incentive programs. Pursuant to N.J.S.A. 52:15C-11, we conducted a follow-up review to assess the implementation of the recommendations contained in our 2019 Audit. Our findings and conclusions were set forth in a report ([2022 Review](#)) issued on January 5, 2022. That report concluded that EDA had not fully implemented 11 of our 21 recommendations. The results of this review (2025 Review) are set forth below.

Background, Scope, and Objective

Our 2019 Audit examined EDA's administration of various tax incentive programs, identified deficiencies in management and oversight, and made 21 recommendations for improvement. These deficiencies involved the absence of key internal controls for the monitoring and oversight of recipient performance and inadequate policies, procedures, and controls for providing accurate and reliable program results.

Our 2022 Review was conducted to assess whether our 2019 Audit recommendations were implemented. Of the 21 recommendations, 10 were implemented, 7 were partially implemented, 3 were not implemented, and 1 was implemented but further action was recommended. We also found that EDA had not sought to recover substantial public funds it acknowledged should have been collected.

The objective of this review was to evaluate the implementation status of the recommendations

identified as not fully implemented or implemented with further action recommended. We also revisited previously identified exceptions from our 2019 Audit to determine whether they had been addressed and if EDA appropriately sought to recover for improper awards of tax credits.

Accordingly, this report addresses EDA's compliance with 11 outstanding recommendations and 5 specific audit exceptions from our 2019 Audit and 2022 Review. One recommendation that involved documentation collection at the time of application could not be tested because EDA has not approved applications for any of the incentive programs covered by this review during the relevant time period.

Our 2025 Review focused on incentive awards certified by EDA in 2022 and 2023. EDA's certifications in those years evaluated whether tax credit recipients were eligible to claim tax credits between 2015 and 2022 across five programs, as detailed in the chart below.

Figure 1: 2022 and 2023 EDA Awards Certification

Program	Number of Projects	Number of Awards	Certification Amount
Business Employment Incentive Program	17	35	\$24.4 million
Business Retention and Relocation Assistance Grant Program	2	2	\$6.8 million
Economic Redevelopment and Growth Grant Program	49	94	\$136.3 million
Grow New Jersey Assistance Program	135	256	\$753.6 million
Urban Transit Hub Tax Credit Program	20	42	\$197.4 million
Total	223	429	\$1.1 billion

Methodology

We performed our 2025 Review to monitor the implementation of recommendations involving the oversight of incentive programs that were identified as not fully implemented in prior reports. These incentive programs include the Business Retention and Relocation Assistance Grant Program (BRRAG); the Business Employment Incentive Program (BEIP); the Urban Transit Hub Tax Credit Program (HUB); the Grow New Jersey Assistance Program (GROW); and the Economic Redevelopment and Growth Grant Program (ERG).¹ We also reviewed what EDA did to recover improper awards of tax credits that EDA acknowledged resulted in debts being owed to the State.

To accomplish our objectives, we reviewed the Authority's policies and procedures, relevant statutes, regulations, and other supporting documentation. We obtained and reviewed publicly available information, including the Authority's annual reports and other activity reports. Additionally, we met with EDA personnel to obtain an understanding of any new or altered processes and of EDA's efforts taken to implement our recommendations.

¹ For a full description of each incentive program, please read the 2019 Audit at [pages 4 through 6](#).

Summary Conclusion

Our 2025 Review found that EDA continued to work on the recommendations that were not fully addressed. The chart below summarizes the 21 recommendations from our 2019 Audit, the conclusions of our 2022 Review, and the determination of our 2025 Review. The chart also provides links to the specific page(s) in the reports with the full recommendation or the 2022 Review status. Our 2025 Review determinations are discussed in more detail in the Recommendation Status summaries in this report.

Figure 2: Recommendation Summary

2019 Audit Recommendations	2022 Review Status	2025 Review Status
Recommendation 1 Develop and implement policies to establish an applicant's baseline employment numbers (2019 Audit, p. 12)	Implemented (2022 Review, p. 9)	
Recommendation 2 Develop and implement policies to establish adequate job reporting requirements (2019 Audit, pp. 12 , 20-22)	Implemented (2022 Review, pp. 9-10)	
Recommendation 3 Establish monitoring processes to verify and compare recipient-reported job data (2019 Audit, pp. 12 , 16 , 21-23)	Implemented, but further action recommended (2022 Review, pp. 10-11)	Implemented
Recommendation 4 Require recipients to submit sufficient supporting documentation to ensure compliance with award terms (2019 Audit, pp. 20-22)	Partially Implemented (2022 Review, pp. 11-12)	Not Reviewed – see page 7
Recommendation 5 Develop and implement policies and procedures to evaluate data for recipients with multiple awards (2019 Audit, pp. 13 , 19)	Partially Implemented (2022 Review, pp. 12-13)	Implemented
Recommendation 6 Develop and implement policies and procedures to define a projects eligibility processes and determine economic benefits (2019 Audit, pp. 13-19)	Implemented (2022 Review, pp. 13-14)	
Recommendation 7 Consider actual performance data when analyzing incentive eligibility (2019 Audit, pp. 13 , 16 , 19-21)	Implemented - BEIP Partially Implemented - BRRAG, GROW, and HUB Not Implemented - ERG (2022 Review, pp. 14-21)	Partially Implemented
Recommendation 8 Develop evaluation processes to report on economic benefits (2019 Audit, p. 27)	Not Implemented (2022 Review, pp. 21-22)	Partially Implemented
Recommendation 9 Revise processes to ensure annual reports are based on verified data and actual performance (2019 Audit, p. 28)	Not Implemented (2022 Review, pp. 22-23)	Partially Implemented

2019 Audit Recommendations	2022 Review Status	2025 Review Status
Recommendation 10 Assess current monitoring activities (2019 Audit, p. 30)	Partially Implemented - GROW Not Implemented - BEIP, BRRAG, HUB, and ERG (2022 Review, pp. 23-24)	Partially Implemented
Recommendation 11 Develop and implement consistent and sufficiently detailed annual reports (2019 Audit, pp. 32-38)	Implemented (2022 Review, pp. 24-25)	
Recommendation 12 Develop and implement monitoring activities to analyze whether jobs were actually created or retained (2019 Audit, pp. 33-36)	Implemented (2022 Review, p. 25)	
Recommendation 13 Enhance monitoring activities to independently verify recipient-reported data (2019 Audit, pp. 21-23, 33-34)	Implemented (2022 Review, pp. 25-26)	
Recommendation 14 Enhance processes to obtain and substantiate sufficiently detailed job data (2019 Audit, p. 33)	Implemented - BEIP and GROW Partially Implemented - BRRAG and HUB (2022 Review, pp. 26-27)	Partially Implemented
Recommendation 15 Formulate monitoring processes for multiple award recipients to verify program compliance (2019 Audit, p. 35)	Partially Implemented (2022 Review, pp. 27-28)	Implemented
Recommendation 16 Implement a sophisticated job-tracking system (2019 Audit, pp. 32-33)	Implemented (2022 Review, p. 28)	
Recommendation 17 Determine appropriate action for awardees who file for bankruptcy (2019 Audit, p. 37)	Implemented (2022 Review, p. 28)	
Recommendation 18 Improve processes to collect detailed and adequate data to perform thorough analyses of incentive program recipients (2019 Audit, pp. 40-44)	Implemented (2022 Review, p. 29)	
Recommendation 19 Develop processes to collect uniform data from incentive program recipients (2019 Audit, pp. 40-44)	Implemented (2022 Review, p. 29)	
Recommendation 20 Implement processes to track administrative costs related to the management of the incentive programs (2019 Audit, p. 46)	Not Implemented (2022 Review, pp. 29-30)	Not Implemented
Recommendation 21 Establish proper segregation of duties between the assessment and collection of incentive program fees (2019 Audit, pp. 47-48)	Partially Implemented (2022 Review, pp. 30-31)	Implemented

In short, our 2022 Review found that EDA made substantial progress in correcting issues identified in our 2019 Audit. However, more work was needed for EDA to fulfill its stated mission of growing New Jersey's economy and increasing equitable access to opportunity in the most fiscally responsible way. The 2025 Review found that EDA has continued to address the issues identified in our previous reports. Of the 11 recommendations that required our reevaluation, this review found that 4 were implemented, 5 were partially implemented, 1 was not implemented, and 1 was not reviewed.

Specifically, our 2025 Review found that EDA:

- Recovered funds or reduced awards in the amount of \$3.4 million owed due to improperly awarded incentive awards;
- Performed annual reassessments of all awards certified since 2022 for two incentive programs;
- Established internal control policies and procedures to avoid double-counting of jobs when a recipient received awards from multiple incentive programs;
- Expanded its internal quality control operations to all incentive programs under this review;
- Implemented procedures to monitor fee payments;
- Did not track, report, or analyze information regarding the administrative costs directly related to the management of the five incentive programs identified in the 2019 Audit; and
- Did not consistently report on actual performance by award recipients.

As discussed in this report, there are multiple recommendations that EDA did not implement or did not fully implement. Many of these recommendations involve oversight, administration, and reporting requirements. We maintain these recommendations because they would enhance transparency and better safeguard public funds.

2025 Review: Status of Audit Recommendations

Recommendation 3

Establish and define specific monitoring processes to assess recipient performance that, at a minimum, address the procedures to verify and compare the recipient-reported job data with independent information from the Department of Labor and Workforce Development and Department of Treasury, Division of Taxation.

Status: Implemented

During our 2022 Review, we found that BEIP policies and procedures included verifications and validations of recipient-reported job data by EDA, as well as a review of the BEIP-incentivized jobs by the New Jersey Department of the Treasury, Division of Taxation (Taxation), with procedures

outlined in a memorandum of understanding (MOU) between EDA and Taxation. However, we confirmed with Taxation that a record of its verifications performed through an automated program called MACROS was not saved. We recommended the MOU be updated to institute a process and procedures for requiring the retention of records of all verifications performed. In its corrective action plan, the Authority noted that EDA and Taxation were in the process of amending the MOU to require Taxation to create and memorialize a process for maintaining records of the verifications it performs consistent with schedules adopted by the Bureau of Records Management.

During our 2025 Review, EDA provided an executed MOU with Taxation dated September 13, 2022 that requires Taxation to store and maintain records of verifications it performs. As a result, we find this recommendation to be fully implemented.

Recommendation 4

Require recipients to submit sufficient supporting documentation to demonstrate that projects satisfied the net increase in employment and/or maintained the required statewide employment levels.

Status: Not Reviewed

In our 2019 Audit, we found that EDA did not consistently require or obtain sufficiently detailed documentation and lacked a formal process for verifying that a project met the net increase in employment and/or maintained the required statewide employment levels. Our 2022 Review identified deficiencies in EDA's updated processes. Specifically, EDA did not consistently collect sufficient information to determine if a project met employment requirements. EDA likewise did not maintain records of work documenting baseline employment verifications for any of the projects tested with baseline employment at application. EDA's corrective action plan advised that it was no longer accepting applications for any incentive program under our review.

Our 2025 Review confirmed that EDA has not approved, and is no longer accepting, applications for any incentive program under our review. Accordingly, baseline employment at the time of application could not be tested. As a result, compliance with this recommendation could not be evaluated in our 2025 Review.

Recommendation 5

Establish and define the processes to evaluate pre-award and performance data for recipients that receive incentive awards from multiple programs to ensure that jobs are not duplicated and that incentives are appropriately earned for each program.

Status: Implemented

Our 2019 Audit found EDA did not define the processes for evaluating pre-award and performance data for recipients with incentive awards from multiple programs to ensure that jobs were not duplicated and that incentives were appropriately earned for each program. EDA advised in its corrective action plan that it had updated processes to ensure recipients of multiple awards were not duplicating employees. EDA also advised it would review all previous disbursements to

multiple award recipients and would seek to recover funds that were disbursed inappropriately or reduce future certifications.

Our 2022 Review found EDA's multiple awards policy was inadequate because it did not provide sufficient details about the processes to be performed by the incentive officer to conduct a meaningful review of pertinent job data and did not require the creation of a detailed record of work to memorialize the result of the incentive officer's review. Our 2022 Review also found that EDA identified four projects with incentive awards from multiple programs that received ineligible payments totaling \$66,000, but no action was taken to recover the funds. EDA's corrective action plan advised that its multiple awards policy had been revised and that all four projects identified as having duplicate employees on multiple incentives had been addressed, which resulted in \$42,000 of reductions.

Our 2025 Review found that EDA updated its multiple awards policy. EDA's policy details the steps to be performed when verifying program compliance for recipients with multiple incentive awards. Specifically, the policy provides guidance on reviewing applicants with existing incentive agreements, procedures to create a comparison of award recipients with multiple incentives, and a requirement to create and maintain a record of work performed. Our review of EDA's implementation of this policy is discussed in more detail in Recommendation 15.

Additionally, our 2025 Review found that EDA recovered funds or reduced future awards for the four projects that received ineligible payments. EDA's initial analysis in response to our 2019 Audit identified \$66,000 in ineligible payments. A subsequent review by EDA identified \$42,000 in ineligible payments that resulted in recoveries. Despite the discrepancy between overpayments, we consider this recommendation to be implemented because EDA's most recent review incorporated Taxation's independent certifications of revised amounts, EDA improved its policy, and EDA initiated recovery actions.

Recommendation 7

Analyze "actual" performance data to determine a recipient's continued eligibility for incentives, a project's economic benefit to the state, and whether there are grounds to terminate or suspend awards as applicable.

***Status: Partially Implemented – GROW, HUB, and BRRAG
Not Implemented – ERG***

Our 2019 Audit and 2022 Review found that EDA disregarded actual performance² when considering a project's net economic benefit to the State, except in limited circumstances. EDA did not adjust eligibility or incentive awards based on actual performance and did not reassess the net benefit analysis of the recipient's actual job performance throughout the award term.

In our 2022 Review, we conducted a simulation involving EDA's net economic benefit model and EDA's actual infrequent reassessments using its model. The simulation revealed that EDA's

² Our 2019 Audit and 2022 Review considered actual performance to be representative of a company's overall performance which should include the actual number of jobs and salaries generated by the project and verified by EDA, even those in excess of a recipient's incentivized jobs.

failure to rely on actual performance may have resulted in the State awarding millions of dollars of unearned tax credits and also in inaccurate reporting of incentive program accomplishments.

In response to our 2022 Report, EDA agreed, contingent upon the Attorney General's advice, to prospectively change its policy regarding the reevaluation of net economic benefits for all GROW and HUB awards. EDA advised in its corrective action plan that it ran Net Benefits Tests (NBT) for all GROW and HUB annual certifications sent to Taxation since January 1, 2022. EDA also stated that it communicated regularly with the Attorney General's Office to discuss what to do when a company does not meet the annual net benefit requirement.

Our 2025 Review requested documentation to substantiate EDA's reliance on Attorney General guidance, assessed EDA's NBT policy, and tested the implementation of the policy. We found that EDA partially implemented corrective actions to analyze actual performance data to determine a recipient's continued eligibility for incentives. Specifically, our testing found EDA has implemented an NBT policy that requires net benefits to be assessed annually for GROW and HUB projects. The policy requires the economic model for the NBT to be updated by using current square footage, incentivized jobs, and hard costs (construction and renovation). In its corrective action plan, EDA identified two instances where recipients did not maintain salary and job requirements and the awards were considered for adjustment. One of the recipients withdrew from the program; the other recipient provided additional performance data in accordance with EDA's NBT policy, which resulted in a net benefit sufficient for the award requirements. EDA did not provide evidence that it sought guidance from the Attorney General's Office for these projects.

EDA's implementation of this policy is a significant improvement that protects the State's interests by validating eligibility and achievement of pledged economic benefits throughout the eligibility period. We urge EDA to take further steps to address limitations with the policy and its implementation identified through this review, as discussed further below.

Review of EDA's Net Benefit Policy

In January 2022, EDA implemented its NBT policy requiring net benefits to be assessed annually for GROW and HUB projects. Our 2019 Audit and 2022 Review could not review this policy or its implementation because EDA had not yet established the policy during the periods under review. Similarly to our 2022 Review, our 2025 Review found that EDA had not tracked the economic benefits or reassessed them throughout the award term for either BRRAG or Commercial ERG projects. EDA exercised its discretion to not rerun the NBTs for these programs.

Consequently, our 2025 Review assessed the adequacy of EDA's NBT policy and its implementation as it relates to GROW and HUB projects. Our results are detailed below. In accordance with N.J.S.A. 34:1B-244(3) and N.J.S.A. 34:1B-209a(5), GROW and HUB recipients are required to yield a net positive benefit to the State equaling at least 110 percent³ of the requested tax credit allocation. We identified two limitations with EDA's NBT policy and its implementation.

First, we found that the policy does not include procedures to compare economic benefits to the award amount to determine annual net benefit compliance. We identified eight instances in which

³ N.J.S.A. 34:1B-244(3)(b) ("For Projects located in a Garden State Growth Zone . . . Net Benefit determination . . . shall equal at least 100% of the requested tax allocation.").

the net benefits produced by the NBT economic model were not sufficient for two HUB projects to be eligible for the full award, and yet the projects were not identified as producing less than sufficient net benefits by EDA. When brought to its attention, EDA revised the NBTs to include additional jobs and salaries, square footage, and/or hard costs, in accordance with its policy. EDA also identified a user input error that drastically reduced the net benefits for one of the recipients for multiple reporting years. After applying the necessary updates, the revised NBTs demonstrated the projects were eligible for the full award amounts.

Additionally, the policy does not require EDA to utilize actual performance in the NBTs. In multiple instances, EDA did not use actual performance data (i.e., verifying and considering all jobs and salaries reported by the recipient) and only used jobs required to establish eligibility when performing the NBTs. EDA also did not always consider the appropriate square footage or construction costs when updating NBTs. Our review confirmed that award amounts for our sampled projects would not have been impacted if EDA had used actual performance data, appropriate square footage, and all certified construction costs in its current model.

Second, EDA's policy does not include consideration of historical performance data in the current model. Our review of the annual NBTs found that EDA ran the model assuming current job figures remained consistent for the entire life of the project. EDA's current methodology relies on a snapshot that utilizes current employment counts that are unlikely to reflect the actual ebb and flow of counts during the ten-year lifespan of a project. Failing to perform the NBTs with historical job figures, especially in a period of inflation/wage growth, may exaggerate the NBT results, which would likely result in economic benefits being overstated at the end of a project.

To demonstrate how data inputs and utilization of a company's historic job performance could affect net benefits, we created a simulation using a hypothetical project. Figure 3 below illustrates jobs and salaries over eight years for the hypothetical project. Figure 4 shows the differing economic benefit results when the NBT utilizes year-over-year job figures, average job figures over the life of the project, and EDA's current practice of utilizing present-day day job figures. Unlike the current year method, the average and year-to-year methods consider historical data in lieu of an annual snapshot.

Figure 3: NBT Simulation – Employment Figures

Year	Jobs	Salary	Total Payroll
1	200	\$ 100,000	\$ 20,000,000
2	240	\$ 109,690	\$ 26,325,617
3	240	\$ 120,319	\$ 28,876,588
4	230	\$ 131,978	\$ 30,354,968
5	190	\$ 144,767	\$ 27,505,710
6	220	\$ 158,795	\$ 34,934,880
7	210	\$ 174,182	\$ 36,578,272
8	200	\$ 191,061	\$ 38,212,125
Current Year	200	\$ 191,061	\$ 38,212,125
Average	216	\$ 141,349	\$ 30,566,721
Year-to-Year			\$ 35,018,956

Figure 4: NBT Simulation – Net Benefits

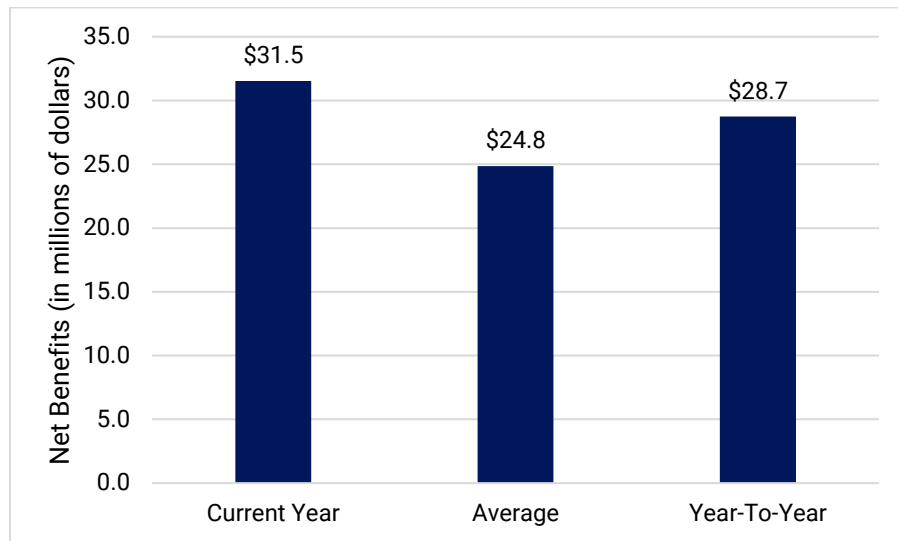


Figure 4 shows that calculating net benefits via the three aforementioned methodologies resulted in net benefits ranging between \$24.8 and \$31.5 million. In this simulation, the current year methodology illustrates economic benefits of almost \$7 million more compared to the average method and almost \$3 million more than the year-to-year method. As demonstrated by these figures, the economic benefits of a project differ depending on the methodology applied. This impacts EDA’s ability to accurately assess and report on program compliance, continued award eligibility, and the economic benefits of the incentive programs. EDA’s current methodology cannot be used to reliably assess economic benefits for the life of a project. By not utilizing actual performance data, or rerunning NBTs in a way that accurately evaluates the full achievement of a company’s pledged economic benefits throughout the eligibility period, EDA is foregoing the opportunity for a comprehensive report on a program’s performance. This information is also valuable for policymakers to make informed decisions regarding the continuation of existing incentive programs and the creation of new ones.

In sum, our 2025 Review found EDA made substantial progress by implementing its NBT policy and conducting annual reassessments of all awards certified since 2022 for the GROW and HUB incentive programs. However, as stated above, the policy in its current form did not identify projects for which annual NBT results were insufficient. We recommend EDA update its NBT policy to detail the steps needed to assess eligibility and what steps to take when a recipient is found to be ineligible. Additionally, we recommend that EDA use actual performance data in NBTs and consult with an economist to ensure that annual NBTs accurately evaluate the full achievement of a company’s pledged economic benefits throughout the eligibility period.

Recommendations 8 and 9

Recommendation 8: Develop and implement an evaluation and assessment process for the incentive programs to report on the success and accomplishments of the programs and determine the economic benefits actually realized.

Recommendation 9: Revise current processes for the annual reporting of incentive program activities to be based on actual performance and that address ongoing accomplishments and success of the awardee's performance.

***Status: Implemented – GROW and HUB
Not Implemented – BEIP, ERG, and BRRAG***

Our 2019 Audit and 2022 Review found that EDA lacked policies and procedures to report on actual performance of jobs retained and net economic benefits. In its corrective action plan, EDA stated that it would continue to regularly update its “Completed and Certified Report.” Further, EDA reported that it added data element fields into its Customer Relationship Management System (CRM system) to capture the net benefit recalculations. Additionally, its corrective action plan stated that EDA updated its Annual Reporting Standard Operating Procedures to include publishing the results of rerunning the NBT yearly for GROW and HUB projects.

Our 2025 Review found that EDA partially implemented our recommendations to revise the annual reporting process to report on the actual results of recipients’ performance. We reviewed the updated Annual Reporting Standard Operating Procedures and found that it required net benefits to be reported for GROW and HUB projects. Additionally, we reviewed the CRM system and confirmed that net benefits were recorded. Lastly, we reviewed EDA’s 2022 Annual Report (EDA’s 2022 Report), and its Completed and Certified Report and found that EDA sufficiently reported on some, but not all programs.

Status: Implemented – GROW and HUB

During our review of EDA’s 2022 Report, we found that EDA created a process to detail award recipient performance, ongoing accomplishments, and overall program successes. The report included net benefits estimated at the time of award issuance. Our testing confirmed that EDA updated its process to calculate net benefits and document the results in its CRM system. Additionally, we noted that net benefits in the report were consistent with the amounts documented in its CRM system. As a result, we found the process of reporting net benefits to be sufficient. However, we note that the accuracy of reporting is dependent on the methodology of the net benefits calculation, as discussed in Recommendation 7.

EDA has implemented procedures to report net benefits, but in order to ensure actual benefits are reported, EDA should improve its methodology when rerunning NBTs to confirm net benefits are accurately reported for all GROW and HUB projects. We nevertheless consider this recommendation implemented because the process to report on the results of the NBTs for these two programs was functioning properly.

Status: Not Implemented – BEIP, ERG, and BRRAG

Our review of EDA’s 2022 Report still found a lack of transparency for award recipients’ actual performance as jobs created or retained for BEIP, ERG, and BRRAG were not included. Additionally, the Completed and Certified Report continued to lack any BEIP or BRRAG projects. As discussed in Recommendation 7, EDA used its discretion to not annually recalculate net benefits for both BRRAG and ERG.

In sum, reporting actual performance data for all projects is essential for the transparency of the incentive programs. We continue to recommend that EDA improve its policies and processes to ensure that the figures reported for GROW and HUB projects are an accurate representation of a company's net benefit to the State. We continue to urge EDA to improve its reporting procedures to enhance transparency across all programs.

Recommendation 10

Assess the efficiency and cost effectiveness of the current monitoring activities performed by the independent audit firm as compared to other available options, including enhancing EDA's current internal operations.

Status: Partially Implemented

Our 2019 Audit found that the agreed-upon procedure reports prepared by the independent auditor were inadequate because they did not include a comparison of the recipient-reported jobs with the Department of Labor and Workforce Development (Labor) data. EDA responded that it had expanded the scope of its contract with the independent auditor to increase the number of annually reviewed certified businesses and the breadth of the auditor's reviews. The expanded scope also included the performance and operational review between various state agencies. Lastly, EDA stated that it had established a Quality Control (QC) Department to ensure the documentation reviewed by EDA project officers satisfied all incentive program requirements.

Our 2022 Review found that EDA entered into a two-year contract extension with the independent auditor without completing a cost analysis of the auditor's monitoring activities. That extension did not include language addressing the increased percentage or number of projects reviewed or revising the agreed-upon procedures for the selected projects. Additionally, EDA's QC Department did not review BEIP, BRRAG, HUB, or ERG projects. EDA's corrective action plan advised it was procuring the services of an external auditing firm to review a percentage of the overall certifications and was in the process of updating the procurement for these services. In addition, EDA also contracted with an Independent External Compliance Auditor⁴ to conduct periodic systematic audits of the Authority's incentive programs.

Similar to our 2022 Review, our 2025 Review found that EDA implemented its contract with the independent auditor without conducting a cost analysis of the monitoring services provided by the independent auditor. The contract is broad in scope and could extend to reviews of GROW, HUB, and ERG certified projects. EDA elected for the auditor to only review GROW annual certifications, and as in 2022, our 2025 Review found that the independent auditor continued to apply the same auditing procedures without adjusting the scope of the verification procedures.

Our 2025 Review further found that as of June 2024, the Independent External Compliance Auditor that EDA referenced in its corrective action plan has not conducted any audits of the five incentive programs reviewed in the 2019 Audit. However, the current review determined that EDA has included QC reviews as part of its policies and procedures for all five incentive programs reviewed in our 2019 Audit. Prior to award issuance, EDA incentive officers complete checklists that are reviewed by the QC Department.

⁴ The Independent External Compliance Auditor and external auditing firm are two separate entities.

We consider this recommendation partially implemented due to the enhanced internal monitoring of all five incentive programs included in our 2019 Audit by EDA's QC Department. Further, we maintain our recommendation that EDA evaluate whether expanded auditing procedures are a cost-effective way to better ensure the success of the tax credit programs.

Recommendation 14

Enhance monitoring and oversight activities with independent verification and confirmation of recipient-reported data through receipt, collection, and review of recipient supporting documentation, including but not limited to time records, payroll registers, payroll tax returns, and other relevant information.

Status: Partially Implemented – BRRAG and HUB

Our 2019 Audit found that EDA did not obtain and therefore could not consider sufficiently detailed job data when awarding tax credits. EDA also did not require awardees to submit verifiable evidence to substantiate reported job data (e.g., time records, payroll registers, payroll tax records). Our 2022 Review found that EDA independently verified job logs with WR-30 data but failed to substantiate WR-30 data against other forms of supporting documentation and failed to arrange for reviews conducted by its independent auditor for BRRAG and HUB programs. EDA's corrective action plan advised that the Authority reviews all the jobs reported by applicants on their annual submissions to ensure the jobs requirement is being met.

Our 2025 Review confirmed EDA did not expand its job substantiation procedures for BRRAG and HUB projects. Additionally, its independent auditors did not review any BRRAG or HUB projects. As a result, we continue to find this recommendation to be partially implemented.

Recommendation 15

Formulate a monitoring process and activities to identify awardees with multiple incentive awards and ensure that their employees and/or jobs comply with program requirements.

Status: Implemented

Our 2019 Audit found that two awardees improperly reported 644 employees in multiple incentive programs, which led to improper award payments of approximately \$102,000. EDA advised in its corrective action plan that it had reassigned roles under the Portfolio Management and Compliance Division and updated processes to verify that companies that have received multiple awards are incentivized for only unique, non-duplicative employees.

Our 2022 Review found that EDA's policy for monitoring recipients with multiple incentive awards was not sufficiently detailed. We tested five projects with multiple awards certified by EDA and Taxation but did not identify any duplicate employees. Consequently, EDA did not have an opportunity to identify or remove duplicate employees. Based on the insufficient policy and limited universe of companies with multiple awards at the time of our 2022 Review, we did not have an acceptable level of assurance that the Authority's existing policy was likely to identify all companies with multiple incentive awards and ensure that their employees and/or jobs complied with program requirements. EDA's corrective action plan stated that EDA had revised its multiple awards policy.

Our 2025 Review identified eight projects that had multiple awards certified by EDA in 2022 and 2023. Consistent with its policy, our review of five sampled projects found EDA maintained a record memorializing the incentive officer's review of employees submitted on annual reports for both programs of the sampled projects. Our review noted an inconsistency with EDA's implementation of the policy which we shared with EDA prior to the release of this report. Additionally, our review of the five projects confirmed that the award recipients did not receive ineligible payments for duplicate employees. As a result, we find this recommendation to be implemented.

Recommendation 20

EDA should track administrative costs associated with each incentive program to ensure that fees are set at a reasonable rate that covers the costs incurred.

Status: Not Implemented

Our 2019 Audit and 2022 Review found that EDA did not have a process to track, report, and adequately analyze information regarding the administrative costs directly related to the management of the five incentive programs identified in the 2019 Audit. In its response to our 2022 Review, EDA disagreed with our determination that this recommendation was not implemented and stated it tracked and reviewed administrative costs as part of its implementation of the new tax incentive programs enacted under the Economic Recovery Act of 2020. EDA's corrective action plan stated that the Authority performed a comprehensive analysis of administrative costs that was incorporated into several sets of program-specific rules that had been proposed and/or adopted. EDA stated that this approach would be included in all future rule proposals.

Our 2025 Review found that EDA has not changed its position regarding tracking administrative costs and implementing rule amendments for the programs under review. EDA's new methodology for tracking or calculating administrative costs related to newly implemented incentive programs is outside the scope of this report. As a result, we find this recommendation not implemented.

Recommendation 21

EDA should establish a proper segregation of duties and/or oversight system as related to the assessment and collection of fees. Appropriate EDA staff should notify EDA's Accounting Department upon the occurrence of the triggering event which forms the basis for the fee. At that point, the Accounting Department should be responsible for the invoicing and collecting of fees.

Status: Implemented

Our 2019 Audit found that EDA had not properly segregated duties between the assessment and collection of incentive program fees. EDA advised in its corrective action plan that the CRM and EnABLE systems would address this recommendation by separating the duties of the incentive officers and accounting department.

Our 2022 Review confirmed EDA had effectively segregated duties utilizing the CRM and EnABLE systems, but we noted three limitations. First, we were unable to verify the accuracy of four fee

determinations because the tax credit award amounts were not recorded in the system for two BEIP projects. Second, neither system indicated when the fees were requested or invoiced. Third, neither system included automatic controls to prevent the issuance of tax credits without receiving payment in full. As a result, we recommended that EDA strengthen the CRM and EnABLE systems to ensure the accuracy of billing amounts, incorporate sufficiently detailed records to ensure proper verification and monitoring of fee collections, and incorporate automatic controls to prevent the issuance of tax credit awards without receiving full payments. EDA's corrective action plan stated that the Authority continued to use the CRM and EnABLE systems to manage its collection of data and would take steps to improve internal controls. Further, EDA contracted with an information technology firm to continually improve processes and bolster its internal controls, including, for instance, adding automatic controls to prevent the issuance of incentive awards to recipients with unpaid fees.

Our 2025 Review found that EDA did not implement automatic controls that would prevent the issuance of incentive awards to recipients with unpaid fees. Rather, it utilized its contracted information technology firm to focus on launching new incentive programs. EDA instead included verifications for fee payments as part of its QC review checklist which was implemented in March 2023.

Our 2025 Review tested fee records for five BEIP projects. We confirmed that EDA maintained QC checklists for these projects that verified fee payments were collected prior to award issuance. Our testing identified issues that we also found in our 2022 Review in which tax credit award amounts used to calculate fees for two projects were not available and neither system indicated when the fees were requested or invoiced. However, we found EDA's QC procedures and control mechanisms provided a sufficient level of assurance that tax credits would not be paid prior to the receipt of fee payments in full. As a result, we find this recommendation to be implemented.

Follow-Up Review of Exceptions Identified in the 2019 Audit

As part of our 2022 Review, we revisited several significant exceptions identified in the 2019 Audit that required correction. In that Review, we found that EDA took insufficient steps to address these issues. For more on our results, click [here](#).

Similar to our 2022 Review, our 2025 Review included an examination of EDA's corrective actions to substantiate jobs that were not reported to Labor and to recover for over-certifications and overpayments identified in our 2019 Audit that were further discussed in our 2022 Review.

Over-Certifications and Overpayments

Our 2019 Audit revealed exceptions with recipient-reported jobs across multiple incentive programs. These exceptions included employees claimed in annual reports who were not included in Labor reports, employees who were not considered full-time because wages were not reported for all four quarters in the reporting period, and employees reported in two incentive awards for the same reporting period.

Our 2022 Review found that EDA improved employee verifications from recipient-reported data by comparing recipient-reported data to independent Labor data. However, EDA had not yet substantiated employees claimed in annual reports who were not included in Labor reports or

employees that were not considered full-time due to incomplete wage reporting. Furthermore, EDA failed to recover overpaid awards for employees reported in two incentive awards for the same reporting period for four projects.

Our 2025 Review followed up on 12 GROW projects with 90 employees claimed in annual reports who were not included in Labor reports and 263 employees who may have not been full-time employees due to incomplete wage reporting. We found that EDA was able to substantiate the necessary jobs, applying discretion when appropriate, due to the significant time gap between the reporting year and the job review, or identified that other projects have since withdrawn.

We note that EDA has taken action to recover funds and reduce future awards totaling \$42,000 for the four projects that received ineligible payments as a result of employees reported in two incentive awards for the same reporting period, as discussed in Recommendation 5.

Recalculation of BEIP Incentive Awards

In our 2019 Audit, we found that EDA used incorrect data to calculate the initial formula for which BEIP incentive awards were based for three projects and also failed to recalculate awards for other projects with less jobs than promised. Our 2022 Review noted that EDA acknowledged the over-certification and overpayment for three projects but had not taken any steps to recover the funds. These errors led to over-certification of projects that resulted in total overpayments in excess of \$2.5 million.

Our 2025 Review found that EDA recovered or reduced awards for the three projects in amounts totaling more than \$2.5 million.

BEIP Incentive Awards in Excess of Cap

During our 2019 Audit, we discovered that a BEIP project had received annual awards, certified by Taxation, that exceeded its capped incentive award amounts by approximately \$1.3 million. This led to the identification of a programming error in 2012 that caused unintentional changes to data transferred between EDA databases. As a result of that finding, EDA determined that it had miscalculated 17 BEIP awards as follows:

- \$1.4 million in overpayments of incentives;
- \$2.3 million in over-certified approved incentives not yet issued; and
- \$3.6 million of incentives pending Taxation certification.

EDA advised that it corrected the programming error and consulted with the Attorney General's Office regarding recovery of the overpayments.

During our 2022 Review, EDA again reviewed the 17 miscalculated awards previously identified and determined that only 9 of the 17 awardees received an overpayment or over-issuance of tax credits. For these nine awardees, our 2022 Review found EDA took initial steps to recover over-certifications and/or payments. Based on EDA's inconsistent reviews regarding the nature and extent of the programming flaws, we recommended EDA conduct a more in-depth and comprehensive review.

Our 2025 Review found that EDA addressed the over-certifications and overpayments involving eight of nine awardees. EDA recovered or reduced future awards in amounts totaling \$700,000. For the remaining awardee, EDA found that its initial calculation of this award was incorrect and that the recipient was not overpaid because incentivized employees for related companies were not initially considered.

During our 2025 Review, EDA stated that it thoroughly reviewed excess cap and overpayment issues in the BEIP program and determined that no additional projects were affected by the programming error. EDA reviewed BEIP projects that had a greater than 50 percent change in their capped incentive award amounts around the time of the programming error (2011 and 2012). EDA stated this methodology was utilized as BEIP projects capped award amounts fluctuated and the majority of the projects identified with overpayments in its first analysis fell into this range. In its 2024 review, EDA identified 17 projects potentially affected by this issue: 9 were previously identified and 8 were newly identified projects. This review, however, did not capture eight projects that EDA identified in its previous reviews, five of which received overpayments or over-certifications. For the three remaining projects, EDA's first analysis determined that no overpayments were made. EDA stated that these companies were purposely excluded as their awards had already been reduced.

EDA's 2024 analysis of BEIP projects that had a greater than 50 percent change in their capped incentive award amounts around the time of the programming error was a step forward, but due to the various analyses we received during our 2019 Audit and subsequent reviews, we maintain our position that the universe of projects affected by the programming error may not have been accurately identified and assessed.

Recalculation of Net Economic Benefits

Our 2019 Audit identified several deficiencies related to EDA's NBTs for three HUB projects. Specifically, we found that EDA utilized incorrect data elements and higher estimated applicant-reported average salary data instead of the lower NBT computed average salary. We also found that it did not reassess its net economic benefit assessment against a recipient's actual performance when conducting the NBTs to determine whether the State realized the estimated economic benefits. Our 2019 Audit attributed these shortcomings to overstated awards totaling \$20 million.

In our 2022 Review, we found EDA took no action to recalculate the economic benefits after the project's approval and did not take any action to recover the \$20 million in overstated awards. We continued to assert that EDA should have recalculated the NBT in the manner suggested in our 2019 Audit. We recommended that EDA recalculate the NBT for each year of the award to determine the proper award amount and recover all overpayments.

Our 2025 Review found that EDA has not made any assessments of net benefits for awards issued before 2022. For all three projects, our 2025 Review found that EDA did not analyze whether it overpaid tax credit awards. EDA also did not seek guidance from the Attorney General's Office on whether any actions should have been or could be taken to recover funds or restrict benefits to the companies from programs in the future for these specific projects.

We continue to recommend that EDA consult with the Attorney General's Office to determine what options remain as a substantial amount of taxpayer funds are at stake.

Improper HUB Awards

Our 2019 Audit found that EDA failed to comply with the applicable statute and regulations in determining HUB incentive awards, which resulted in the improper awarding of approximately \$179 million in incentives. Under the applicable statute and regulations, HUB projects require EDA to analyze two critical pieces of information: the amount of the proposed capital investment and the result of the net economic benefit analysis. Pursuant to N.J.S.A. 34:1B-209(1) and (2), a business with capital investments totaling not less than \$50 million in a qualified business facility shall be allowed a tax credit of 100 percent of its capital investment. EDA's regulations further provide that a project's net economic benefit must total at least 110 percent of the proposed capital investment for the project to be eligible for an incentive award equal to 100 percent of the proposed capital investment. N.J.A.C. 19:31-9-3. As part of our 2019 Audit, EDA disagreed with both legal interpretations of the statute. EDA based its position, in part, on legal guidance received from the Attorney General's Office. We found that that guidance, which was received after EDA made the awards, was inconsistent with the plain language of the law requiring an applicant to make, at minimum, \$50 million in capital investments. N.J.S.A. 34:1B-209a(2).

Our 2022 and 2025 Reviews found EDA's position has not changed and that no new developments or progress has been made to address the issues identified. To date, the State has issued \$119 million of the \$179 million in tax credits identified in our 2019 Report. We note that two projects remain in default for failing to provide annual reports.


Reporting Requirements

We provided a draft copy of this report to EDA for its review and comment. Its response was considered in preparing our final report and is attached as Appendix A. Throughout this report we have highlighted areas where EDA has applied its discretion to resolve open issues and acknowledge other areas where our perspectives continue to differ. We recognize the efforts made by the Authority and encourage it to continue to fulfill its fiduciary responsibility and enhance its administration of the incentive programs until all outstanding awards have been satisfied.

We thank the management and staff of EDA for the courtesies and cooperation extended to our auditors during our monitoring process. This report will serve as our final review pertaining to the programs and recommendations discussed herein.

Sincerely,

KEVIN D. WALSH
ACTING STATE COMPTROLLER

By: 
Christopher Jensen, CPA
Director, Audit Division

Attachment

c:

Elizabeth Maher Muoio, Treasurer, Department of the Treasury
Aaron Binder, Deputy Treasurer, Department of the Treasury
Terence M. O'Toole, Chairman, Economic Development Authority
Bruce Ciallella, Chief Operations and Compliance Officer, Economic Development Authority
Emma Corrado, Chief of Staff, Economic Development Authority
Maciek Bury, Director of Business Operations, Economic Development Authority



January 15, 2025

Christopher Jensen, Director
Audit Division
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

RE: Follow-Up Report New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs

Dear Mr. Jensen:

I have received and reviewed the *Follow-Up Report - New Jersey Economic Development Authority: A Performance Audit of Selected State Tax Incentive Programs* provided by your office and am providing the following response for inclusion in the final report.

On behalf of the New Jersey Economic Development Authority (EDA/Authority), I would like to extend our appreciation to the Office of the State Comptroller (OSC) for the comprehensive report and for acknowledging the significant efforts we have made in response to your previous recommendations.

We appreciate the constructive feedback provided by your team, which has been helpful in guiding our efforts to enhance our operations and be better fiduciaries for the citizens of the State of New Jersey. We also appreciate your recognition of the areas where the EDA has successfully implemented your recommendations.

We agree with the fully implemented recommendations of the report and are pleased to confirm that the EDA has already taken substantial steps to address each of the areas highlighted below.

Recommendation 7:

OSC's acknowledgment that "EDA's implementation of this policy is a significant improvement that protects the State's interests by validating eligibility and achievement of pledged economic benefits throughout the eligibility period" is greatly valued.

The Authority is committed to ensuring that the state receives the benefits mandated by the legislature. Our current policy is designed to meet this objective by confirming that businesses fulfill the Net Benefit requirement as determined at the time of their original approval. As such, if a business meets this requirement, no further analysis is deemed necessary.

We are continuously seeking ways to enhance our policies and processes and your detailed analysis and affirmation of our improvements in this area are instrumental in guiding our ongoing efforts. We appreciate the insightful feedback provided by your office and are committed to maintaining these standards to ensure the effective and efficient use of state resources.

Recommendations 8 and 9:

The Authority appreciates OSC recognizing the Authority for fully implementing the recommendations for both the GROW and HUB projects. Your acknowledgment of our progress in these areas reinforces our commitment to excellence in program administration.

As we have previously discussed with your office, some programs in our portfolio do not have an actual job component or do only at the tail end of administration which naturally influences the scope of our implementation efforts.

However, transparency remains a top priority for the EDA, and we are dedicated to ensuring that our operations are conducted openly and with accountability. To this end, we are actively working to enhance the transparency section of our website, making it more comprehensive and accessible for all stakeholders.

We appreciate the guidance and feedback provided by your office and are committed to continuing our efforts to improve transparency and program effectiveness.

Recommendation 10:

The Authority appreciates OSC acknowledging the increased internal controls implemented by the EDA. Your recognition of our efforts underscores our commitment to maintaining robust governance and accountability.

As we have discussed with your office, the Authority engaged one of our external auditors to conduct reviews of programs beyond the GROW initiative. This approach utilizing an external firm ensures that we are consistently applying best practices and further strengthening our internal controls.

Recommendation 14:

The Authority would like to affirm its commitment to ensuring that each business fulfills its promises to the State. Our team diligently reviews the information provided by businesses to verify compliance with their commitments, thereby safeguarding the interests of New Jersey.

Moreover, the Authority is continuously seeking ways to enhance our processes and are currently in the process of updating our document portal. This update aims to provide a more efficient and secure method for handling documentation, further strengthening our ability to monitor and verify business commitments.

Recommendation 20:

The Authority wishes to clarify its position regarding administrative fees. As we have addressed in previous reports and during this latest review, while it is not feasible to alter administrative fees for programs that have already completed their application, approval, and certification processes, we have taken steps to address OSC's concerns in the design of new programs.

Specifically, within the framework of the Economic Recovery Act, we have incorporated adjustments

to administrative fees to better align with the recommendations provided by your office. Although these new programs fall outside the immediate scope of your review, we believe it is important to highlight our proactive response and commitment to integrating your feedback into our future initiatives.

Exceptions from 2019 Report:

The Authority appreciates OSC identifying and acknowledging the recovery efforts related to the exceptions mentioned in your 2019 report. Your insights have helped EDA strengthen our oversight and accountability measures.

As stewards of taxpayer dollars, we take our responsibility very seriously and are committed to ensuring all funds are used appropriately and effectively. In instances where we identify any noncompliance, we are resolute in our efforts to recapture any funding a business was not entitled to receive. This commitment is a cornerstone of our mission to protect and maximize the value of taxpayer investments. We will continue to uphold rigorous policies and procedures to safeguard public funds.

Conclusion:

The collaborative process with your office has been instrumental in ensuring that our actions align with best practices and regulatory standards, and we remain committed to maintaining this momentum.

If you need any additional information, or have any questions regarding our response, please let me know.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Tim Sullivan', with a long horizontal stroke extending to the right.

Tim Sullivan
Chief Executive Officer