



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

**ANNUAL REPORT**

**Fiscal Year 2011**

**IMPROVING THE EFFICIENCY, TRANSPARENCY  
AND FISCAL ACCOUNTABILITY OF  
NEW JERSEY GOVERNMENT**

**A. Matthew Boxer  
COMPTROLLER**

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*Dear Governor Christie,  
Members of the State Legislature,  
and Residents of New Jersey:*

Whenever we engage in another new project at the Office of the State Comptroller we do so with one clear mission in mind. No matter what the particular focus of the project might be, the mission of our staff remains to stand up for the taxpayers of New Jersey. Through our work, we continuously strive to find ways for government in New Jersey to operate more transparently, more effectively and more efficiently.

As an office, we reached that goal often in Fiscal Year 2011. We took on a variety of projects in our third year of existence and saved taxpayers millions of dollars in the process. Perhaps just as importantly, through a series of significant audits, investigations and contract reviews, our office maintained the type of presence that tells all New Jersey public officials their actions and efforts are being scrutinized.

As a result of legislation proposed by the Governor and passed by the State Legislature, the functions of two other state oversight agencies were folded into ours this past fiscal year as our office added an Investigations Division and a Medicaid Fraud Division. The new streamlined approach led to a more coordinated, efficient and robust oversight effort statewide. It also brought valuable resources to our office that have enabled us to become even more effective in pursuing our mission.

This annual report highlights our successes from the past fiscal year, many of which would not have occurred without the input and involvement of the taxpayers of this state. Indeed, some of our most significant reports began with a tip from the public. A phone call to our hotline from a state worker, for example, led to our report detailing how the state spends more than \$3 million a year on clothing allowances for state employees who are not required to wear uniforms or other special clothing at work.

The projects completed by our office in the past year also serve as evidence of our staff's diverse set of skills.

Researchers in our Planning and Analysis unit examined the use of municipal tax abatements and concluded that this program is pulling critical funding away from school districts in an unmonitored manner while leaving taxpayers throughout the state to pick up the cost.

Our auditors and attorneys worked together on an audit of Rutgers University that revealed how key deficiencies in our state university's contracting and financial practices have restricted competition in its awarding of public contracts.

Our Medicaid Fraud Division recovered more than \$116 million for taxpayers this past fiscal year, a 31 percent increase from the state's recovery efforts a year ago. Our Medicaid fraud staff uncovered a variety of fraudulent practices by health care providers, including billings for health services that were never provided and billings by providers who had been banned from the Medicaid program.

Other projects took root because our auditors asked a simple question that had not been asked before. For instance, we asked the state's Office of Information Technology if all of the state's phone lines were in use, and found the state actually was paying for more than 19,000 phone lines that were no longer needed. Our audit should save taxpayers as much as \$3.5 million annually simply through the disconnecting of these phone lines.

In seeking to learn what happens when state computers are auctioned off to the public, our auditors discovered that state agencies were disposing of computer equipment without ensuring that sensitive and confidential data had been removed. Only the intervention of our auditors prevented the state from unlawfully auctioning off Social Security numbers, confidential health records and child abuse documents to the highest bidder. The state has since amended its computer distribution policy to prevent future security breaches.

At the state's Department of Corrections, our auditors found that simple math errors caused the state to overpay private halfway house facilities more than \$500,000. The audit also found the department had failed to enforce contract provisions that would have allowed the state to collect monetary damages from halfway house providers for a series of inmate escapes and a failure to meet staffing requirements.

Turning to issues of employee compensation, our auditors found employees at the New Jersey Turnpike were receiving bonuses for inappropriate reasons unrelated to

performance, such as working on their birthday or performing routine tasks. In total, the audit found the Turnpike Authority had wasted tens of millions of dollars on unjustified employee bonuses, inappropriate sick leave payouts, a poorly managed health plan and unnecessary perks such as an employee bowling league. Turnpike officials later cited our report in approving changes that will save taxpayers \$35 million over two years.

Our Procurement Division kept equally busy this year, reviewing government contracts valued at more than \$2 million and pre-screening all public contract awards in excess of \$10 million. The Division identified and corrected problems or deficiencies in approximately one-third of the contract awards it pre-screened.

When a massive government corruption sting led to the arrest of 44 New Jerseyans, our Procurement Division quickly initiated reviews in several municipalities involved in the scandal. Those reviews uncovered, among other findings, more than \$200,000 in questionable municipal attorney billings in Ridgefield and a pattern of questionable expenditures in Secaucus. Corrective action plans have since been put in place under our oversight.

A similar yet unrelated procurement review in Edgewater found a series of costly contracting flaws and led to the removal of the borough attorney from the state pension system.

While we expect our actions in these communities will result in concrete operational improvements, we also have focused on attacking the systemic problems that allow government waste to continue unnoticed until a full-blown corruption scandal is exposed.

One way to hold government officials more accountable is to make sure their actions and decisions are as open and as public as possible. As the late U.S. Supreme Court Justice Louis Brandeis once wrote, “Sunshine is . . . the best of disinfectants.” Since our first days as an office we have worked to combat the lack of transparency that inevitably results when a state averages one government unit for every 3.8 square miles as New Jersey does.

As part of that continuing effort, we conducted a review this past fiscal year that placed a spotlight on the nearly 600 local authorities and commissions in New Jersey. We found that more than a third of those government agencies do not maintain a website, while the vast majority of those that have an internet site fail to post basic financial reports or information about their public meetings.

Along with that report, our office created a “transparency portal,” available on our website, that provides access to the home pages of the more than 1,900 government entities operating in the state.

I encourage all New Jersey residents to use the transparency portal and our entire body of work as a resource in holding government officials accountable. All of us should continue to work together in the year ahead to serve as an active part of the solution in helping make New Jersey a more affordable place to live.

At the Office of the State Comptroller we are proud of the work we produced this past fiscal year and are appreciative of the opportunity to highlight our accomplishments in the pages that follow. With our newly expanded resources we look forward to doing even more in the year ahead while continuing our dedicated efforts on behalf of you, the taxpayers of this state.

A. Matthew Boxer  
State Comptroller

# OVERVIEW

Since it began its operations in January 2008, the Office of the State Comptroller (OSC) has served as an advocate for taxpayers. OSC has released a string of reports focused on bringing greater efficiency, transparency and analysis to the operation of government in New Jersey. Those reports and related OSC actions in fiscal year 2011 should result in at least \$150 million in direct cost savings and recoveries for taxpayers.

OSC consists of four divisions that work in a coordinated fashion while carrying out distinct functions. They are the Audit Division, the Investigations Division, the Medicaid Fraud Division and the Procurement Division.

The sections of this report that follow briefly explain the role of each division while detailing highlights of OSC accomplishments from the past fiscal year.

# AUDIT DIVISION

OSC's Audit Division conducts audits and reviews the performance of the executive branch of state government, public institutions of higher education, independent state authorities, local governments and school districts.

During fiscal year (FY) 2011, Audit Division reports identified more than \$50 million in direct cost savings. Each of the audited entities is now implementing a corrective action plan to meet the recommendations set forth in our audits.

Many of OSC's reports also make recommendations for systemic changes to the operation of New Jersey government. In fact, a series of bills have been introduced that would codify the recommendations in many of OSC's audits and reports.

At the heart of each of the audits that have been issued by our Audit Division is the OSC audit staff. The division is led by William P. Challice, whose previous 35 years of experience with the New York State Comptroller's Office included 20 years as audit director. Mr. Challice also is the current chair of the New York/New Jersey Intergovernmental Audit Forum. Numerous Audit Division staff members possess certifications or professional designations such as Certified Public Accountant, Certified Government Financial Manager, Certified Internal Auditor, Certified Fraud Examiner and Certified Information Systems Auditor.

Brief descriptions of our FY 2011 audit reports are set forth below. The reports can be viewed in their entirety on our website, [www.nj.gov/comptroller](http://www.nj.gov/comptroller).

**OFFICE OF THE STATE COMPTROLLER**

If you are aware of waste or mismanagement at any level of New Jersey government, we want to hear from you.

**Financial Waste and Mismanagement Hotline**  
**1-866-547-1121**



Or contact: [comptrollertips@osc.state.nj.us](mailto:comptrollertips@osc.state.nj.us).

All communication will remain confidential.

### *Audit of Office of Information Technology*

Our audit of the Office of Information Technology should save New Jersey taxpayers as much as \$3.5 million annually. We found the state had been paying for more than 19,000 phone lines – nearly one in every six state government phone lines – that had gone unused and were no longer needed. Following our review, New Jersey state departments began disconnecting those lines. The audit also identified a one-time savings of more than \$40,000 relating to data service lines that had been disconnected but were still being billed.

The audit also found the state has been renewing some of its major telecommunications contracts for more than a decade without opening the contracts up to competition as required by law. In one instance OSC found that a contract had been extended beyond its original term 22 different times without permitting competition from other vendors. The state’s failure to competitively bid its phone contracts raises concern that it is not receiving the best price for taxpayers.



State Comptroller Matthew Boxer appears on Fox 5's Good Day NY to discuss an OSC audit which found the state was paying for more than 19,000 phone lines that were no longer needed.

### *Audit of New Jersey Turnpike Authority*

At the New Jersey Turnpike Authority our auditors uncovered \$43 million in waste on items such as unjustified employee bonuses, unnecessary perks and inappropriate sick leave payouts. Overall, the OSC audit found the Turnpike Authority had overpaid its employees, overpaid its management, overpaid for its health plan and overpaid for legal services. For

example, the audit found the authority could have saved approximately \$4 million had it opted to participate in the State Health Benefits Program, instead of providing insurance through its self-funded plan.

Over a two-year period, employees and management at the Turnpike Authority had been

granted approximately \$30 million in bonuses that were not based on performance, including bonuses given to employees for working on their birthdays and for performing routine job duties. The cumulative effect on employee earnings was, in some instances, dramatic. The audit details how a property inspector who retired in 2008 with a base salary of \$73,469 actually received \$321,985 that year when all payouts and bonuses were included. Turnpike Authority officials cited our audit report in approving changes in April 2011 that will save \$35 million over two years.

**The OSC audit found the Turnpike Authority had wasted tens of millions of dollars on unjustified employee bonuses, inappropriate sick leave payouts, a poorly managed health plan and unnecessary perks.**

### *Audit of Rutgers University*

Our audit of Rutgers University revealed key deficiencies in the university’s contracting and financial practices. We found that New Jersey’s state university has restricted competition in its public contracts and instead selected preferred vendors by rejecting many of the basic contracting requirements imposed on all other public colleges and universities



in the state. In almost all instances, the audit found, Rutgers does not publicly advertise for its contracts. For example, it typically invites only six to ten vendors to bid on its construction contracts, even though the university itself has deemed approximately 150 such firms as generally being qualified to bid.

In one instance, the audit found Rutgers awarded a contract for parking services to the same vendor for 16 years on the faulty basis that parking was a unique service that could not be competitively bid. The audit found that Rutgers' failure to foster competition risks overpayment for goods and services and recommended that the State Legislature and Governor, as well as the university itself, consider requiring Rutgers to follow the bidding requirements imposed on all other New Jersey public colleges and universities.

### ***Audit of Department of Treasury's Disposition of Excess and Surplus Computer Equipment***

This audit found that state agencies, in violation of state requirements, were disposing of computer equipment without ensuring that data on the devices had been properly removed. We sampled computers at the state's surplus property warehouse and found data on 79 percent of those computers. Confidential or personal information was found on nearly one third of the computers. The computers had been shrink-wrapped on pallets and were ready to be sold at public auction. Only the intervention of our auditors prevented the state from auctioning off the computers and unlawfully disclosing Social Security numbers, health records and child abuse documents. Also bound for redistribution, according to the audit, were computers that contained confidential memoranda from a state judge as well as his tax returns for three years. The state amended its

redistribution policies and practices as a result of the audit.

### ***Audit of Department of Corrections' Residential Community Release Program***

Our audit of the Residential Community Release Program within the state Department of Corrections (DOC) exposed crucial weaknesses in the state's oversight of inmate halfway houses. The audit found the state had failed to meet its own guidelines for on-site monitoring of halfway houses, conducting only a small fraction of the required site visits. It also found the state had overpaid 10 private halfway house providers by

**Only the intervention of our auditors prevented the state from unlawfully auctioning off Social Security numbers, confidential health records and child abuse documents to the highest bidder.**

\$587,186 over a six-year period. In addition, the audit found DOC failed to exercise its contractual right to collect pre-set damages from halfway house providers that violated contract terms. For example, DOC could have assessed \$30,000 in liquidated damages for six separate escapes that occurred when the halfway house residents were waiting to be transported back to prison by DOC correctional officers. The residents were able to escape because they were not placed in a secured holding area within the halfway house as required by contract. In three of those instances, a secured area did not even exist on the halfway house premises. DOC made no effort to collect the damages to which it was entitled.

### **Planning and Analysis Unit**

OSC's Audit Division also includes professionals with skills beyond those required for traditional audit work. For example, OSC's Planning and Analysis unit is a team of social science researchers who perform preliminary evaluations and make recommendations regarding potential audits. Upon engaging an audit, members of the Planning and

Analysis unit may accompany the audit team into the field to collect, document and analyze data for the audit.

The unit also produces non-audit research reports designed to shed light on specific policy issues. These reports have focused on a variety of significant topics in an attempt to develop legislative and other programmatic proposals to protect the state's tax dollars.

The Audit Division's Planning and Analysis unit produced the following reports in FY 2011.

***Analysis of Clothing Allowance Payments to White-Collar State Workers***

OSC's report on clothing allowance payments revealed the state spends \$3.1 million a year on clothing allowances for state employees who are not required to wear uniforms or specialized work clothing. The report also found the state's clothing allowance policies are far more generous than those of neighboring states. For example, rather than provide reimbursements for actual clothing expenses, New Jersey provides a flat \$700 payment in payroll checks once each year. The state does not require its employees to present a receipt or other proof of purchase in order to receive the allowance. The report recommended that at a minimum, the state seek to eliminate the clothing allowance benefit for those employees who are not required to wear uniforms or special clothing.

***Programmatic Examination of Municipal Tax Abatements***

Our report on New Jersey's tax abatement program

concluded that the program is pulling critical funding away from school districts and leaving taxpayers throughout the state to pick up the costs. The report found that local abatement practices go largely unmonitored by the state and that municipal governments have little incentive to comprehensively assess whether abatements are actually achieving their economic development goals. The report made 12 recommendations for improving New Jersey's tax abatement program, including increasing stakeholder participation in the abatement process, improving state oversight and requiring municipalities to undertake detailed cost-benefit analyses before awarding abatements.

***Analysis of the On-Line Transparency of New Jersey's Local Authorities and Commissions***

In order to shine a light on some of New Jersey's more obscure government entities, we analyzed the websites of the nearly 600 local authorities and commissions in the state. We found that more than one-third of those government units do not operate a website at all, 92 percent fail to post information about their public meetings on their website and 97 percent fail to post basic financial reports. The report estimated that these local agencies spend a combined \$5 billion annually and also have incurred billions of dollars in debt.

The OSC report prompted legislation that would codify all of the recommendations in the report, including requiring all public entities to operate a website that includes information such as financial data and meeting minutes. A series of public entities already have reported updating their website to meet our recommendations.

**A phone call to our hotline led to our report detailing how the state spends more than \$3 million a year on clothing allowances for state employees who are not required to wear uniforms or other special clothing at work.**

Along with issuing the report itself, OSC created a “transparency portal,” available on our website, that offers one-stop access to the home pages of the available websites for the more than 1,900 government entities operating in the state. OSC web pages for the report and the portal already have garnered more than 10,000 views.

### ***Review of New Jersey State Police Compliance with Professional Standards***

OSC is required by state law to periodically review the performance of State Police efforts to prevent discrimination in its policies, practices and procedures. Our initial State Police review observed high-quality instruction and training practices at the State Police Training Bureau and found that staff members at both the training bureau and the new Office of Law Enforcement Professional Standards were generally carrying out their duties in an appropriate manner.

### **Information Technology Audit Group**

OSC's Audit Division also includes information technology (IT) specialists whose primary role is to implement and maintain OSC's IT infrastructure, including the Audit Division's electronic workpaper software. The IT Audit Group is an important part of every audit we engage, offering their expertise on a range of issues, from providing technical assistance to providing evaluations of IT operations of the entity being audited. The IT Audit Group assists in assessing risk and with pre-planning work for upcoming audits and provides training to OSC staff in computer hardware, software and other IT-related audit topics. The IT Audit Group also assists other OSC divisions in areas such as workflow reporting. In FY 2011 the IT Audit Group also produced the previously mentioned audit of the Department of

Treasury's disposition of surplus computer equipment.

### **Follow-Up Reports**

OSC obtains corrective action plans from each entity we audit to ensure implementation of our recommendations. OSC subsequently conducts on-site follow-up reviews to determine compliance with those corrective action plans.

For example, during FY 2011 we issued a follow-up report concerning our audit of the state Department of Children and Families' management of its vehicle fleet. The follow-up review found that the department has begun to monitor state-funded gasoline usage more effectively and has improved its ability to recoup costs for parking tickets and accidents involving state vehicles.

**Our report on New Jersey's tax abatement program concluded that the program is pulling critical funding away from school districts and leaving taxpayers to pick up the costs.**

In FY 2012, OSC will be issuing follow-up reports concerning other previous OSC audits, and we will continue to monitor the steps being taken by all public entities that we audit to ensure that our recommendations are fully implemented in an appropriate timeframe.

### **Audits for Fiscal Year 2012**

Pending OSC audit work ensures that FY 2012 will be as productive and significant for the office as FY 2011. Our staff is working throughout the state on a number of audits that are at various stages of completion.

For example, these include audits of:

- cost savings opportunities at selected school districts;
- state-funded child care programs;

- the procurement and cost effectiveness of health benefit plans at various municipalities; and
- fiscal and operating practices at various local and state agencies as well as government vendors.

Collectively, these audits provide the broad spectrum of audit coverage called for by OSC's enabling legislation.

#### **AUDIT DIVISION - *BY THE NUMBERS***

**16** - Years Rutgers University awarded a contract to the same parking services vendor without allowing competitive bids

**97** - Percent of local NJ authorities that fail to post their basic financial reports on the web

**\$73,469** - Base salary of one property inspector in 2008 at NJ Turnpike Authority

**\$321,985** - Total annual compensation for that same property inspector in 2008 after all payouts and bonuses, according to an OSC audit

**\$587,186** - Amount of overpayments made by the state to private halfway house facilities because of math errors, according to an OSC audit

**\$3.1 million** – Annual cost, according to an OSC report, of clothing allowance payments to state employees not required to wear uniforms or specialized work clothing

**\$43 million** – Amount of waste identified by OSC at NJ Turnpike Authority

# PROCUREMENT DIVISION

OSC's Procurement Division, staffed by attorneys specializing in public contract law, fulfills the office's statutory mandate to review public agency procurements exceeding \$2 million. In addition to reviewing contracts, the attorneys of the Procurement Division work with OSC's audit teams in providing legal guidance concerning the many legal issues that arise during the course of an audit.

The division is led by Dorothy Donnelly, a former Assistant United States Attorney in the Civil Division of the District of New Jersey, who has litigated and counseled government agencies regarding contract matters for more than 20 years.

As prescribed by statute, the Procurement Division pre-screens the legality of the proposed vendor selection process for all government contracts exceeding \$10 million and has post-award oversight responsibilities for such contracts exceeding \$2 million. OSC's procurement reviews cover contracts awarded by municipalities, school districts, colleges, and state authorities and departments, as well as other public boards and commissions with contracting authority.

Regulations that OSC promulgated in December 2010 assist entities in determining the value of their contracts and provide guidance on how OSC reviews will be conducted. These regulations also explain that procurements subject to OSC review include a wide range of contracts including land sales, leases, purchases of goods or services and grant agreements.

For contracts exceeding \$10 million, the Procurement

Division works closely with government entities as they formulate specifications, intervening when necessary to achieve procurements that comply with all applicable laws, regulations and rules. Errors are corrected before the contract advertisement takes place.

The review of contracts valued at more than \$10 million begins with judging the appropriateness of the vendor-selection procedure proposed by the contracting unit. The reviewing attorney assesses, for example, whether the procurement requires sealed

bids or whether other contracting procedures are appropriate. The reviewer further determines whether the government unit has followed all other statutes, rules and regulations applicable to the procurement. Additional questions asked include: Has the governing body, department or authority approved the procurement? Are the

specifications designed to ensure a competitive process? Is the method of advertisement appropriate?

For contracts exceeding \$10 million, the contracting unit must submit appropriate notification to OSC thirty days before advertising or otherwise entering into a contract. On occasion, contracting units request flexibility in that time period. Accordingly, OSC has set forth a procedure through which government entities can seek a waiver of the thirty-day time frame. OSC has worked closely with contracting units needing such a waiver to ensure that contract solicitations can be made in a timely

**OSC's procurement reviews cover contracts awarded by municipalities, school districts, colleges, and state authorities and departments, as well as other public boards and commissions with contracting authority.**

manner.

Contracts exceeding \$2 million, including \$10 million contracts previously submitted for pre-approval, are examined post-award. The focus post-award remains on compliance with laws and regulations. In addition, a determination is made as to whether the award followed the guidelines set forth in the solicitation. For example: Did the lowest bidder get the award in a sealed bid determination that appropriately considered alternates? Did the governing body approve and certify funding for the contract? Are the records submitted sufficient to justify the body's action? Is there any evidence of collusion or bid rigging?

To ensure that OSC's contract reviews create better contracting processes in both the short and long terms, the Procurement Division consults directly with contracting units during and following reviews. Depending upon the nature of the review and any deficiency noted, the Procurement Division might hold exit interviews, prepare a written determination or simply provide oral advice to the contracting unit. In cases of serious deficiency, OSC may refer contracts for audit or further civil or administrative action, such as actions to terminate or debar contractors or to recover monies expended. Criminal activity is referred to appropriate law enforcement authorities.

In FY 2011, the Procurement Division received notice of 553 public contracts. Of those, 186 contracts were valued at more than \$10 million and were pre-screened. The division found errors in approximately one-third of those contracts and took action in those cases to assist the public entity in correcting errors in its procurement process. For example, OSC worked to eliminate specifications drafted to favor incumbent vendors, eliminated errors

in power purchase agreements and addressed deficiencies in contracts for technology services for school districts.

**The Procurement Division found errors in approximately one-third of the contracts it reviewed and took action to assist the public entity in correcting these errors.**

On occasion, circumstances may require a more extensive OSC review of a contract, including the events leading up to contract execution. In these instances, OSC's Special Investigators may team up with Procurement Division attorneys to conduct further investigation.

For example, an investigation of contracting practices in the **Borough of Edgewater** led to an OSC report detailing how the borough's poor management practices led to a string of unnecessary expenses for taxpayers. The procurement review found, for example, that on numerous occasions the borough paid for legal services that had been improperly billed. The borough also approved a series of modifications to its contract with the borough attorney that led to it paying hourly for services that previously were included in the attorney's salary. The report also found the borough did not use a proper fair-and-open process for its contracts as required under the state's pay-to-play statute, did not consider cost as a factor in awarding its professional service contracts and failed to impose a cap to control the cost of vendor billings.

As part of its review, OSC also determined that the borough attorney for Edgewater was improperly receiving pension credits for his legal work for the **Borough of Emerson**. Following intervention by OSC, Emerson officials confirmed that they had been wrong to include the attorney in the state pension system and took steps to ensure that his pension credits would be revoked.

The Procurement Division also conducted more extensive contract reviews in four other

municipalities: Ridgefield, Hoboken, Secaucus and Jersey City. These reviews were initiated after public officials in each of those four municipalities were charged with public corruption offenses by federal prosecutors.

In both the **Borough of Ridgefield** and the **City of Hoboken**, the Procurement Division found that local officials had failed to use a formal evaluation process in awarding professional service contracts. Both municipalities also failed to screen municipal employees involved in the contracting process for potential conflicts of interest. As a result of those OSC reviews, both the Borough of Ridgefield and the City of Hoboken entered into a corrective action plan with OSC.

OSC's Ridgefield review also revealed a number of specific deficiencies with regard to the borough's contract with its attorney, including that the borough was paying hourly for services that should have been covered under the borough attorney's salary. When Ridgefield investigated further, more than \$200,000 in questionable bills were identified.

OSC's review also revealed that the borough made a pension contribution of \$12,375 on behalf of the borough attorney in 2008, after such professional services vendors were statutorily prohibited from participating in the state pension system. OSC referred the matter to the state's Division of Pensions and Benefits which returned the contribution and revoked the accompanying pension credit.

A similar review of procurements in the **Town of Secaucus** revealed a pattern of questionable local expenditures. After OSC initiated its review, Secaucus eliminated its \$30,000 biennial Fire Chief's Dinner and ended its retention of two lobbyists who were each paid approximately \$25,000 a year to provide seemingly duplicative services. As a result of the OSC review, Secaucus also has agreed to

promulgate policies to govern its spending and will end its practice of donating funds to charitable and non-profit groups in violation of the New Jersey Constitution.

In reviewing professional service contracts in **Jersey City**, OSC found the city government, the Jersey City Redevelopment Agency and the Jersey City Housing Authority all had failed to provide OSC with notice of contracts subject to our oversight. Further, OSC's review of those professional services contracts found language that undermined the statutory fair-and-open process that was required by pay-to-play laws.

In some circumstances, the Procurement Division will conduct a separate contract review in conjunction with an audit. For example, when the Audit Division released its report on the inadequate oversight of halfway house providers, the Procurement Division released a review that raised questions about the contracting processes between the **Department of Corrections** (DOC) and those providers. OSC questioned whether DOC's largest halfway house provider should be eligible to provide such services since providers must be non-profit entities. In this case, the non-profit had subcontracted with a for-profit company for all services under the contract. Upon OSC's recommendation, DOC has asked the state's Department of Law and Public Safety to re-examine the arrangement. Other errors uncovered through the procurement review included DOC's failure to obtain documents that would support per diem rates and charges for capital improvements paid for by the state.

<p><b>PROCUREMENT DIVISION - BY THE NUMBERS</b></p> <p><b>553</b> – Public contracts for which the OSC received notice in FY 2011</p> <p><b>\$80,000</b> – Approximate amount of questionable expenditures eliminated by the Town of Secaucus in response to an OSC review</p> <p><b>\$211,774</b> – Amount of questionable legal bills identified following an OSC review of Borough of Ridgefield contracts</p>
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# INVESTIGATIONS DIVISION

On June 29, 2010, Governor Chris Christie signed legislation effecting a consolidation of the functions and powers of the Office of the Inspector General into the OSC. To discharge its new responsibilities, OSC created an Investigations Division charged with detecting and uncovering fraud, abuse, waste and misconduct involving the management of public funds and the performance of government officers, employees and programs.

Former federal prosecutor John Hoffman was hired in September 2010 to lead the new division and serve as its director. Hoffman had served since 2004 in the U.S. Department of Justice's Trenton office where he investigated and prosecuted financial and institutional fraud and corruption. The new division consists of a staff of 13 investigators and attorneys, among them former federal and state law enforcement officials from agencies such as the Federal Bureau of Investigation, the United States Postal Inspection Service and the New Jersey State Police.

Once formed and staffed, the division quickly began work on a number of diverse projects, including investigations concerning the Delaware River Port Authority, the improper enrollment of professional service providers in the pension system, and procurement improprieties at school districts. Those projects will be completed in the coming months.

In addition to commencing new projects in FY 2011, the Investigations Division also reviewed all pending investigations being handled by its predecessor, the Office of the Inspector General. In two cases a summary report was issued to conclude the investigation.

For example, the division's summary review of the

**Victims of Crime Compensation Agency (VCCA)** found that a lack of management oversight had led to an environment susceptible to abuse. The report also revealed numerous flaws regarding the manner in which claims were processed by VCCA.

Similarly, a summary review of the **Cherry Hill Public School District** followed up on a previous external audit which had detailed the lack of internal controls at the district. The Investigation Division's review found the district had taken positive steps in hiring new key personnel, implementing new policies, installing updated financial software and hiring outside consultants to tighten its internal controls. The OSC report made 11 recommendations for the district to follow in its attempts to continue to improve its internal controls.

When appropriate, OSC investigators also work with public entities to correct deficiencies without having to engage in a full-scale audit or investigation. For example, the **Borough of Matawan** addressed allegations regarding suspicious water meter readings by entering into a corrective action plan with OSC. As part of the plan, the borough replaced the water meters in question and amended its policies so that borough employees are no longer allowed to read their own meters. The borough also agreed to conduct a random sampling of water meters each billing cycle to check for any billing inconsistencies.

## INVESTIGATIONS DIVISION - *BY THE NUMBERS*

6 – OSC investigators with federal or state law enforcement background

11 – OSC recommendations for improving internal controls at the Cherry Hill Public School District

27 – Referrals made by the Investigations Division to outside agencies in FY 2011

327 – Tips and complaints fielded by OSC investigators in FY 2011, nearly double the amount fielded during the previous fiscal year



The Investigations Division also serves as a key resource for OSC's Audit Division and Procurement Division through conducting witness interviews, helping to identify potential subjects for audits, and utilizing a variety of investigative tools to assess and document relevant facts.

For example, OSC investigators field and review all tips and allegations that are provided by government employees or the general public concerning government waste, fraud or misconduct. Tips are received through OSC's toll-free hotline, via e-mail or through the mail. Each tip is assigned to a specific investigator who reviews the information provided to determine whether further action is warranted from this office or another agency.

Although OSC has fielded tips since its inception, the number of tips received has grown substantially since the creation of the Investigations Division. As of the close of the fiscal year, OSC investigators fielded 327 such tips and complaints, nearly double the amount fielded in the previous fiscal year. Some complaints are resolved simply through a phone call to the public entity involved. Others are referred in-house and lead to investigations or audits. The division also made 27 referrals to outside state and federal agencies.



In FY 2011 the Investigations Division hosted two separate delegations from the government of China. The groups had requested to meet with OSC officials in order to learn from the office's expertise in dealing with issues of government fraud and corruption.

Top 10 Most Viewed State Comptroller Reports  
on OSC's Website

1. Performance Audit of Atlantic City
2. Programmatic Examination of Municipal Tax Abatements
3. Performance Audit of Irvington Township
4. Audit of Financial and Operating Practices at the New Jersey Turnpike Authority
5. Audit of Vehicle Assignment and Usage at the Department of Children and Families
6. Analysis of the On-Line Transparency of New Jersey's Local Authorities and Commissions
7. Audit of Contracting and Financial Management Practices at Rutgers, the State University of New Jersey
8. Audit of the Department of Corrections, Residential Community Release Program
9. Audit of the Department of Labor and Workforce Development, American Recovery and Reinvestment Act/Summer Youth Employment Program
10. Report on Best Practices for Awarding Service Contracts

Office of the State Comptroller reports can be viewed in their entirety at [www.nj.gov/comptroller](http://www.nj.gov/comptroller).

# MEDICAID FRAUD DIVISION

New Jersey's Medicaid program provides health insurance to qualifying parents and caretakers and their dependent children, along with pregnant women and individuals who are aged, blind or disabled. The program pays, for example, for hospital services, doctor visits, prescriptions, nursing home care and other healthcare needs.

New Jersey FamilyCare is a Medicaid program for uninsured children whose family income is too high to qualify for traditional Medicaid but not high enough to afford private health insurance. Combined, the Medicaid and New Jersey FamilyCare programs serve more than one million New Jersey residents.

The New Jersey Hospital Care Payment Assistance Program, commonly known as Charity Care, provides free or reduced-charge care to patients who require care at New Jersey hospitals.

Through the authority of the Medicaid Program Integrity and Protection Act, as well as the Health Care Facilities Planning Act, OSC's Medicaid Fraud Division (the Division) serves as the independent watchdog over these three Medicaid programs and works to ensure that the state's Medicaid dollars are being spent effectively and efficiently. The Division's oversight focuses on Medicaid providers, managed care organizations and Medicaid recipients.

To accomplish these goals, the Division audits and investigates program participants and coordinates oversight efforts among all state agencies that administer Medicaid programs. The Division also recovers improperly expended Medicaid funds,

reviews the quality of care provided to Medicaid recipients and pursues civil and administrative enforcement actions against those who engage in fraud, waste or abuse within the Medicaid program. The Division also excludes or terminates providers from the Medicaid program where necessary. Finally, the Division conducts educational programs for Medicaid providers and contractors.

New Jersey's Medicaid anti-fraud efforts were placed under OSC's direction on June 29, 2010 as part of the streamlining of the state's oversight agencies.

In FY 2011, the Division recovered \$116,330,341 in improperly paid Medicaid funds, a 31 percent increase from the state's recovery efforts over the previous fiscal year. Those dollars were then returned to both the state and federal budgets. In addition, an estimated \$210 million in other potential Medicaid costs were avoided through the office's proactive anti-fraud efforts.

**Our Medicaid Fraud Division recovered more than \$116 million for taxpayers this past fiscal year, a 31 percent increase from the state's recovery efforts over the previous fiscal year.**

Led by director Mark Anderson, a former auditor and Assistant United States Attorney, the Division has identified numerous new strategies to monitor and detect fraud, waste and abuse in the Medicaid program. Its Investigations Unit was recognized in January 2011 by the Centers for Medicare and Medicaid Services, the federal government's Medicaid oversight agency, for various best practices.

The Division consists of three units: Fiscal Integrity, Investigations and Regulatory. Each of these units will be discussed in turn.

## Fiscal Integrity Unit

The Fiscal Integrity Unit focuses on data mining, audits, recoveries and exclusions, and liability of third parties for expenses improperly paid by Medicaid.

### *Data Mining*

The data mining group typically is involved at the initial steps of the process leading to the recovery of Medicaid dollars. The unit uses a variety of techniques to detect anomalous or abnormal Medicaid claims from providers. Its findings often lead to audits and investigations.

In order to identify patterns of anomalous Medicaid reimbursements, OSC's data miners review Medicaid fraud audit reports and investigations from other states and work with a range of additional sources to acquire pertinent data. The data mining group also monitors the Surveillance and Utilization Review System, a federally mandated claims processing system, for indications of fraud and abuse and to detect duplicate, inconsistent or excessive claim payments.

The data mining group referred numerous instances of anomalous claims behavior to the audit and investigations units during FY 2011. For example, the group examined one physician's billing pattern and determined that he had begun billing for services for which he never billed previously, including the administration of high-priced medications that appeared to be outside the scope of his practice. A review of another physician's records found he had billed for an excessive number of patient visits in the same day, at a number of different facilities, while also prescribing an

abnormally large number of narcotic and anti-anxiety medications. These cases are still under investigation.

### *Audits*

In FY 2011, the Division's audit group engaged 14 audits, including audits of nursing homes, medical equipment providers, hospice providers, a managed care organization and a federally qualified health center. Such audits are conducted to ensure that Medicaid providers comply with program requirements, to identify improper billings submitted by Medicaid providers, and to deter fraud, waste and abuse in the Medicaid program.

For example, a Division audit of a medical equipment provider, Life Medical Supplies, led to a recovery of \$106,310 in overpayments. Working off of a data

**Our Medicaid Fraud staff uncovered a variety of fraudulent practices by health care providers, including billings for health services that were not provided and billings by providers who had been banned from the Medicaid program.**

mining report, the auditors found the provider had not properly overseen its inventory system and had been dispensing supplies in amounts that exceeded the maximum allowed under Medicaid regulations. Also, the provider was not able to produce the documentation required to substantiate all of its Medicaid billings.

Similarly, an audit of Millennium Health Care, Inc. examined Medicaid payments for ventilators. It found that the state Department of Human Services (DHS) regularly reimbursed providers the maximum fee allowance of \$1,265.55 per ventilator, per recipient, per month. That amount is disproportionately high compared to other states' Medicaid reimbursement rates and federal Medicare rates. As a result of the finding, DHS has proposed an 80 percent reduction in the rate for ventilator rental payments, which will result in annual Medicaid

cost savings of approximately \$852,000.

The Division's audit group also oversees, reviews and coordinates audit work performed by other entities that have contracted with the state to audit specific types of providers. For example, the federal Affordable Care Act requires each state's Medicaid program to contract with Recovery Audit Contractors to identify and recoup overpayment of fees to Medicaid providers. The audit group oversees the contract with these external auditors, coordinates the audits and reviews the audit findings.

### ***Recoveries and Exclusions***

Our Recoveries and Exclusions group (R&E) recovers overpayments that are identified by the Division's auditors and investigators and determines when to exclude a Medicaid provider from the Medicaid program. In cases of intentional fraud, R&E may also assess penalties against a provider.

Once the Division identifies overpayments to be recovered, R&E sends out appropriate notices, recovers the money from providers and recipients on behalf of the state, and works with federal authorities to ensure that the federal government receives its share of any recovery. In instances where R&E cannot resolve an overpayment through a settlement, the Division may take administrative action against the provider or recipient.

Providers can be excluded from participating in the Medicaid program for numerous reasons including criminal convictions, exclusions by another state or the federal government or adverse action taken by a licensing board. Providers can be excluded for a set number of years, or until they provide sufficient

evidence supporting reinstatement. Actions taken against these individuals are part of an ongoing OSC effort to ensure that only those medical providers who maintain the highest integrity are allowed to participate in the Medicaid program.

In FY 2011, the Division excluded 44 providers. Among them, for example, were providers who were convicted of crimes that involved extreme neglect and abuse of their patients.

### ***Third Party Liability***

Under federal law, if a Medicaid recipient has other insurance coverage, Medicaid is responsible for paying medical benefits only in cases where the other coverage has been exhausted or does not cover the service at issue. Thus, a significant amount of the state's Medicaid recoveries are the result of the Division's efforts to obtain payments from third-party insurers responsible for services that were inappropriately paid with Medicaid funds. The Third Party Liability group, working with an outside vendor, seeks to determine whether Medicaid recipients have other insurance and recovers money from such private insurers in cases where

Medicaid has paid claims for which the private insurer was responsible.

### **Investigations Unit**

The Investigations Unit is charged with investigating inappropriate conduct on the part of Medicaid, FamilyCare and Charity Care providers and recipients.

In FY 2011, the Investigations Unit opened 266 cases, and made 80 referrals to other agencies such as the

**In FY 2011, the Division excluded 44 providers. Among them were providers who were convicted of crimes that involved extreme neglect and abuse of their patients.**

Attorney General's Medicaid Fraud Control Unit, county boards of social services and county prosecutors' offices. Cases handled by the Investigations Unit involved issues such as recipient fraud, provider billings for services not rendered and questions of Medicaid eligibility.

In FY 2011, the work of the Investigations Unit resulted in recoveries of \$8,504,688. For example, the Division recovered \$900,000 from CVS Pharmacy for Medicaid claims paid to CVS for prescriptions filled by a store pharmacist who had been excluded from the Medicaid program.

The Division also recovered \$1.6 million from Garden Adult Medical Day Care for its lack of documented support for services for which it had billed the state's Medicaid program. The owners of the facility also agreed to sell the business and accept a five-year ban from the Medicaid program.

Division investigators receive allegations of fraud, waste and abuse from many sources including the Division's hotline and website as well as from other state and federal agencies. The Division received 136 tips in FY 2011 from its hotline, website and through the mail. It also received referrals from managed care organizations and state vendors who assist in administering Medicaid programs.

The Investigations Unit also develops cases through its own tools and resources. For example, "Operation X" is an ongoing project in which Division investigators cross-reference the federal Medicaid exclusion list with New Jersey Wage and Labor data to identify excluded individuals who are improperly receiving wages through the state's Medicaid program. Once such an individual is identified, the information is sent to R&E to recover the funds paid by Medicaid during the period the provider was excluded.

In FY 2011, the Division recovered \$422,485 from two "Operation X" cases. In one case, the Division recovered \$253,716 from a psychologist who was submitting Medicaid claims despite having been excluded from the Medicaid program for professional misconduct. The unit also recovered \$168,769 from a registered nurse who continued to work at a Medicaid provider even though her license had been suspended.

Another key role of the Investigations Unit is to coordinate with the U.S. Attorney's office and the state Division of Criminal Justice on Medicaid-related whistleblower cases filed under the federal and New Jersey False Claims Acts. In FY 2011, the state recovered \$15,491,510 in these types of cases.

Division investigators also worked in FY 2011 with the state Attorney General's office on cases that led to criminal indictments. For example, Division investigators accompanied investigators from the Division of Criminal Justice on an arrest of a Somers Point adult medical day care provider and interviewed staff and Medicaid recipients. The owner of the center later pled guilty to health care fraud charges, agreeing to pay restitution in the amount of \$145,000.

To ensure the integrity of the Medicaid program's enrollment process, the Investigations Unit also conducts background checks of providers applying to participate in the program. In FY 2011, the unit received 196 such applications from pharmacy providers, medical equipment providers, adult medical daycares, physicians and others. The unit denied 28 of those applications based on a number of concerns, including: licensing actions pending against the applicant; failing to disclose required information on the application; pending criminal investigations against the applicant; and applications filed on behalf of non-operational entities.

The Division also conducts pre-enrollment and post-enrollment site visits of Medicaid providers. During those site visits, Division investigators verify that the entity is actually in existence, that it is in compliance with state and federal requirements and that the information supplied on provider applications is accurate.

During on-site visits in FY 2011, the Investigations Unit discovered one excluded individual working as a pharmacist in charge and found another applicant had failed to list one of its employees on the provider application. Division investigators conducted a background check on the unlisted employee and found the individual had been convicted of child abuse crimes and distribution of heroin and cocaine. The Division denied the applications to participate in the Medicaid program in these two instances.

### Regulatory Unit

In addition to returning Medicaid dollars back to the state through monetary recoveries, the Division also works with other state departments to propose new Medicaid program regulations to improve program integrity. Specifically, the Division's Regulatory Unit consists of licensed attorneys who provide administrative guidance to other state departments while working with those departments to develop changes that strengthen Medicaid rules.

For example, in FY 2011 the Regulatory Unit recommended changes to the Medicaid program's enrollment regulations in order to prevent denied Medicaid provider applicants from using a loophole to avoid having to wait a year before resubmitting their application. The Division's Investigations Unit had discovered providers were avoiding the one-year waiting period by selling their business to a family member or friend who would then apply as a "new" owner at the same location, generally under the same

name and business structure only without listing the owner who signed the denied application.

The Regulatory Unit proposed an amendment to Medicaid regulations that would help prevent such "straw sales." The Division is working with DHS to ensure the amendments are implemented.

The unit's regulatory officers also appear before the Office of Administrative Law on behalf of the Division in contested Medicaid fraud cases.

#### **MEDICAID FRAUD DIVISION - *BY THE NUMBERS***

**31** - Percent increase of the state's Medicaid recoveries in FY 2011 over the previous fiscal year

**44** - Medicaid providers excluded by OSC in FY 2011

**\$852,000** - Approximate annual cost savings that will result from OSC audit of Medicaid payments for ventilators

**\$900,000** - Amount recovered from CVS Pharmacy for Medicaid claims connected to pharmacist who had been excluded from the Medicaid program

**\$1.6 million** - Amount recovered from Garden Adult Medical Day Care for its lack of documented support for services for which it had billed Medicaid

**\$116 million** - Total Medicaid Fraud Division recoveries for taxpayers in FY 2011

**If you suspect Medicaid fraud or abuse in New Jersey:**

**Call toll free: 1-888-937-2835 or visit:**

[www.state.nj.us/comptroller/divisions/medicaid](http://www.state.nj.us/comptroller/divisions/medicaid)

# **POLICIES, PROCEDURES AND PUBLIC OUTREACH**

Our efforts at OSC over the last year have included continuing to refine the policies and procedures that guide our audit, investigative and related processes. The following are descriptions of some of the policies and procedures we have put into effect.

## **Audit Manual**

For professional audit organizations such as ours, it is essential that clearly defined policies be promulgated to provide audit guidance and to ensure the quality and consistency of the audit work performed. To that end, we developed an Audit Manual to serve as the authoritative compilation of the professional auditing practices, policies, standards and requirements for OSC staff. Our Audit Manual is a constantly evolving document that is revised as standards are amended and other changes in the auditing profession occur.

## **Audit Process Brochure**

Open communication concerning the audit process lets the auditee know up front what to expect. With that in mind, OSC developed a brochure entitled, “The Audit Process,” outlining the critical components of an audit from initiation to completion. This brochure is provided to the auditee prior to the start of an audit and is also posted on our website.

## **Risk/Priority Evaluation**

OSC’s enabling legislation requires us to “establish objective criteria for undertaking performance and other reviews authorized by this act.” Accordingly, OSC developed a risk/priority evaluation matrix that considers a number of risk factors, including: the

entity’s past performance, size of budget, whether the program is a new one, management turnover, indications of fraud or abuse, and referrals or recommendations from other government agencies. OSC staff conducts research along these parameters and assesses risk associated with each applicable factor as high, medium or low, resulting in a determination of audit priority.

## **Quality Control and Peer Review**

Government auditing standards require audit organizations to establish an internal quality control system and to participate in an external quality control “peer review” program. The internal quality control system provides the organization with ongoing assurance that its policies, procedures and standards are adequate and are being followed. The external peer review, to be conducted once every three years, provides independent verification that the internal quality control system is in place and operating effectively and that the organization is conducting its work in accordance with appropriate standards.

OSC participated in its first peer review in June 2011. The review was a successful one. The external review team concluded that OSC’s system for quality control has been “suitably designed and complied with” government auditing standards.

## **Audit Coordination**

OSC’s enabling legislation requires the State Comptroller to establish a system of coordination with other state entities responsible for conducting audits, investigations and similar reviews. This system serves to avoid duplication and fragmentation of efforts while optimizing the use of resources,

promoting effective working relationships and avoiding the unnecessary expenditure of public funds. We have been working closely with both state and federal audit and law enforcement officials in this regard. We look forward to continuing these efforts in the next fiscal year.

### **Training**

Audits conducted by OSC's Audit Division comply with Generally Accepted Government Auditing Standards (GAGAS). Auditors performing work under GAGAS are required to maintain their professional competence through Continuing Professional Education (CPE). Specifically, they must complete every two years at least 80 hours of CPE, 24 of which must directly relate to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. OSC is recognized by the National Association of State Boards of Accountancy as a CPE sponsor. This year our staff received formal training on topics such as governmental accounting, audit sampling and documentation, and interviewing techniques. All staff members in the Audit Division satisfied the biennial requirement of obtaining 80 CPE's over the last reporting period.

### **Promulgating Regulations**

In FY 2011, OSC promulgated new regulations to explain the organization and function of the office and the reporting requirements for government entities subject to its oversight. Those rules provide auditees with an understanding of the audit process and explain what documents and information government entities must provide to the Procurement Division if they enter into contracts valued at \$2 million or more. The new rules are aimed at providing government entities with a clear understanding of OSC's mission and processes.

### **Public Outreach**

In the past fiscal year, Comptroller Boxer has served as a featured speaker before a wide range of organizations in order to discuss the lessons and best practices gleaned from various OSC audits and reports, provide information about OSC's policies and procedures and gather input from the public. Those organizations include, for example, the Constitutional Officers' Association of New Jersey, the Association of Inspectors General, the New Jersey League of Municipalities, the New Jersey Redevelopment Training Institute and the New Jersey Society of Certified Public Accountants' Education Foundation.

Some of these speaking engagements have focused on specific issues, such as tax abatements or government transparency. Others have covered a wide range of topics. They typically have included extensive question and answer sessions that allow for feedback from the public and, in some cases, generate tips for the office to pursue. Other OSC staff also served as speakers at various events.

In addition, Comptroller Boxer appeared this year as an in-studio guest on Fox 5's Good Day New York, WOR's New Jersey Now and Fox 5 Philadelphia Undercover to discuss various OSC reports. He also conducted interviews with virtually every major print, radio and television media outlet in the New Jersey region. This dialogue serves to provide information to the public while also acting as a deterrent to potential bad actors in New Jersey government.

OSC's public outreach had an international component this year as well. In FY 2011 the Investigations Division hosted two separate delegations from the government of China. The groups had requested to meet with OSC officials in order to learn from the office's expertise in dealing with issues of government fraud and corruption.



# HEADLINES

## Audit finds '\$43 million in waste' at turnpike

Free E-ZPass, bonuses  
for birthday work cited

## Report: NJ spending \$3 million on clothing allowances for employees who don't wear uniforms

## Audit: Halfway houses overpaid

N.J.'s comptroller said the  
Corrections Department  
paid almost \$600,000 more  
than it should have.

**Our View:** Office of the State Comptroller

## Rare success story

Another month, another stinging report from the Office of the State Comptroller about some facet of government in New Jersey. This time, Comptroller Matthew Boxer took aim at the New Jersey Turnpike Authority.

Boxer's investigators found that the authority — which is funded by toll revenue provided by the motoring public — squandered \$43 million on unwarranted perks for its employees in 2008 and 2009.

Turnpike workers got bonuses for shoveling snow and for working on their birthdays. They got bonuses for working holidays — on top of the standard holiday double-time. They got free E-ZPass transponders for their commutes to work. They were allowed to wheedle around the state's \$15,000 cap on unused sick-leave payouts.

The Comptroller's Office also found that poor management practices led the authority to pay more than it had to for employee health benefits and for legal services.

Inefficiency and waste of the public's money in New Jersey? We're shocked.

Actually, we're not. But shining a light on these abuses, bringing them to public attention — right there in a PDF for all to read — is new. And welcome.

The Comptroller's Office has become a Trenton success story — and that's rare. It was created in March 2007; Boxer went to work in January 2008 — and just about every month since June 2008, the Comptroller's Office has issued a stinging audit of one facet or another of government in New Jersey.

The Department of Children and Families, the system for hiring external auditors, the Governor's Council on Alcoholism and Drug Abuse, the use of public funds to lobby state government, Atlantic City's finances, state government's unused phone lines, municipal tax-abatement programs — all these and more have been subject to public reports by the Comptroller's Office. And in most cases, the audits have led to corrective action.

Former Gov. Jon S. Corzine — yes, a Democratic administration created this office — originally wanted an elected comptroller. That would have been a mistake and would have merely created one more opportunity in the state for disingenuous mud-throwing, pandering and demagoguery.

Instead, the Legislature settled on a comptroller who is appointed by the governor to a six-year term and who can be reappointed for a second term. This allows the comptroller's tenure to span gubernatorial administrations and gives the office the independence it needs. Furthermore, all employees of the Comptroller's Office are banned from engaging in any political activity.

It's a sensible system that is working well.

And how often do you get to say that about anything in Trenton?

# Drudge Report REPORT: NJ Wastes Millions on Clothing Allowances for State Workers...

Report: Majority of local authorities, boards don't make financial information available online

Report shows progress in eliminating racial profiling by N.J. State Police

## N.J. discovers trouble with tax breaks

Report points to inequities but municipalities defend abatements as tools for growth

By Lisa Fleisher  
STATEHOUSE BUREAU

Asbury Park gave breaks for condos that eventually had trouble selling. The city of Bayonne gained millions by giving developers a tax break, but its school district didn't get a nickel of that. Gloucester Township gave tax breaks to three expanding Wawas, when there were already 22 of them within five miles of the area.

These municipalities are among about two dozen across the state that widely use tax abatements, giving up hundreds of millions in taxes a year to promote

growth. But a report released yesterday by state Comptroller Matt Boxer says there is little oversight of these tax breaks, and they can enrich city coffers at the expense of school districts and counties.

"The financial scope of what they're doing is significant, and it has effects on taxpayers in neighboring towns and throughout the state," Boxer said.

Tax breaks could also lead to corruption, Boxer said, pointing to arrests a year ago involving bribes allegedly given in exchange for promises of help with real estate developments. The report

says they "present opportunities for unfair favoritism or cronyism."

For years, environmentalists and others have criticized tax abatements as a giveaway to developers. But cities say it's an important tool to help spur growth.

The practice is used heavily by only 23 of the state's 566 municipalities, including Newark and New Brunswick, the report found. Most were large, urban areas.

Tax abatements encourage municipalities to make deals, the report said. Cities can make arrangements that

SEE ABATEMENT, PAGE 11

### GIVING IT AWAY

The report says:

- Abatement profits are not shared equally with schools and counties.
- Developers can overpromise and underdeliver.
- Municipalities award questionable abatements for companies that might not provide the most benefit.
- Transparency and oversight of abatements are severely lacking.

N.J. agencies begin disconnecting unused phones after audit exposing \$3.2M waste

Newark adult day care is ordered to pay \$5.6M for submitting false Medicaid claims

## **N.J. investigators reclaim \$116M in improperly paid Medicaid funds**

CVS to reimburse taxpayers \$900G in Medicaid funds

Secaucus audit shows questionable spending

## **Sensitive N.J. data headed for sale**

State computers slated for auction were not cleansed of personal information, an audit indicated.

Mercer County nonprofit agency agrees to repay N.J. \$353K spent on cruises, other expenses

## **Audit: Freebies grease the wheels at Turnpike**

Birthday bonuses, free E-ZPass among \$43M in perks at authority

State comptroller's report criticizes billing practices of Edgewater borough attorney

**N.J. audit finds Rutgers University does not advertise contracts,  
uses select list of vendors**

**Cash-strapped NJ overpaid privatized halfway  
house operators by nearly \$600,000 in 6 years**

## **The Times**

### **Long may he bark**

Tuesday, February 22, 2011

STAFF WRITER

One robust legacy of former Gov. Jon Corzine's administration is the office of state comptroller. It has proved a tenacious watchdog -- one that continues to benefit the people of New Jersey.

A recent case in point began with that office's audit of the Hamilton-based nonprofit Allies Inc. The agency receives millions in state funding to provide housing and work for people with developmental disabilities. Its work in those areas may be incomparable, but its spending has been questionable. Following the audit and subsequent investigation, the agency has agreed to repay \$353,000 its managers and employees put to personal use. Among the expenditures was more than \$100,000 to send 112 employees, as chaperones, and clients on two cruises -- one to the Caribbean and one to the Mediterranean.

Despite what appears to be the best possible conclusion of the Allies Inc. case, much public money continues to change hands, and those transactions bear watching.

Mr. Boxer, a former federal prosecutor, seems especially attuned to the demands of that job and the quest for transparency. It's a good thing; his office last week reported that only 3 percent of the state's nearly 600 local agencies post budget information online. More than a third of the agencies -- including sewerage authorities, fire districts and county parks commissions -- don't even have a website.

"When you have so many different government units spending public dollars, it becomes difficult for even the most attentive members of the public to monitor how their money is being spent," the comptroller said.

Luckily, the public has Mr. Boxer keeping vigil over those transactions.

**N.J. agencies left confidential information on computers set to  
be auctioned, report finds**