State Comptroller audit reveals questionable bonuses paid to top management at county improvement authority, failure to comply with state procurement law

The Middlesex County Improvement Authority (MCIA) paid substantial annual bonuses to its upper management that were not provided for in their employment contracts, including a payment of more than $55,000 to MCIA’s executive director that raised his stated salary by 30 percent in 2010, an Office of the State Comptroller (OSC) audit has found.

In total, the audit found MCIA paid its top four officials more than $100,000 annually in such “management incentive” bonuses, in addition to the contractual 2.5 percent salary increase received by three of those officials. In addition to the bonuses not being referenced in the officials’ employment contracts, the MCIA personnel manual makes no mention of a management incentive bonus program. OSC discovered the bonuses only through a review of individual MCIA payroll records.

Similar bonuses have been handed out to the same four MCIA officials going back at least as far as 2007 and through 2011. No other MCIA employee received such a bonus payment.

“Even at the height of the economic recession, the MCIA awarded its top officials not only their contractual salary increase but additional unsubstantiated bonuses worth 10, 15, even 30 percent of their salary,” said State Comptroller Matthew Boxer.

The MCIA’s executive director - whose base salary of $185,384 is higher than the base salary of the Governor of New Jersey - ultimately received $249,366 in total compensation from MCIA in 2010, including the $55,617 incentive bonus, a $4,800 car allowance and a $3,565
payment for unused sick time. In comparison, the compensation paid to the Middlesex County Administrator in 2010 totaled $153,400.

The other three MCIA officials - an administrator, the chief financial officer and the director of administration - received bonuses that ranged from $11,600 to $20,500 in both 2009 and 2010.

MCIA officials told OSC that the specific amounts of the incentive bonuses were based, in part, on performance evaluations. MCIA’s executive director did not receive any written performance evaluations, though MCIA officials said verbal evaluations were conducted. The other MCIA officials who were paid incentive bonuses received written performance evaluations, but OSC found the evaluations did not reflect any measurable performance criteria tied to MCIA’s goals. Instead, the evaluations consisted of basic criteria such as “understands and follows instructions,” “maintains a proper appearance” and “interacts well with others.”

“Criteria like ‘interacts well with others’ and ‘understands and follows instructions’ are not sufficient justification for the payment of more than $100,000 in yearly bonuses to the upper management of a government agency,” Boxer said.

In addition to the employee compensation issues, the OSC audit found MCIA’s contracting practices did not comply with state procurement law because MCIA failed to solicit price quotations from prospective vendors as required.

Also, an OSC review of nine professional service contracts awarded by MCIA found the authority did not use appropriate vendor-selection criteria for eight of those contracts. For example, while MCIA did not include cost among its selection criteria, it included an easily manipulated requirement that vendors possess “knowledge of the Authority and its operations.” All nine of the contracts ultimately were awarded to vendors that previously held contracts with MCIA. For six of the nine contracts, the incumbent vendor was the only respondent to the request for qualifications. For the other three contracts, only one additional vendor responded - and two of those vendors were summarily disqualified by MCIA based on their “lack of knowledge of the Authority.”

The OSC audit also determined MCIA’s outside legal counsel has been improperly receiving MCIA-funded health benefits. In addition, OSC referred the attorney, who is a partner in a law firm, to the state Division of Pensions and Benefits for a review of pension credits received through the MCIA.

The audit also questioned whether MCIA needs to retain both an “insurance consultant” and an “insurance producer.” In advertising for the two positions, MCIA listed the exact same qualifications for each. Further, MCIA’s insurance consultant did not submit detailed billing invoices to explain the specific services he provided, making it impossible to verify what work the consultant actually performed. Two other professional service vendors submitted invoices to MCIA that were similarly lacking in detail, the audit found.

MCIA received more than $8 million in county government subsidies in 2010. Among its various responsibilities, MCIA provides financing assistance to Middlesex County and its municipalities through the issuance of bonds. The OSC audit found no significant exceptions related to MCIA’s financing practices.