



State of New Jersey

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## **State Comptroller report finds absence of oversight led to abuse of funds at Newark Watershed Corporation**

**Report found Watershed executive director wrote checks to herself, authorized risky investment activity without Board approval. The findings are being referred to the Attorney General's Office.**

An Office of the State Comptroller (OSC) investigation released today finds that the now-defunct Newark Watershed Conservation and Development Corporation (NWCDC) operated free from any meaningful oversight, fostering an environment that allowed the agency's executive director to write unauthorized payroll checks to herself, hand out no-bid contracts to close personal associates, and surreptitiously authorize risky investment activity in an account that lost more than \$500,000 in public funds.

The City of Newark delegated the management of its water assets to the NWCDC through service contracts worth roughly \$10 million a year. The NWCDC Board voted to dissolve in March 2013 at an emergency meeting held a week after OSC conducted interviews that uncovered the unauthorized check writing and investment activity undertaken by its executive director, Linda Watkins-Brashear.

At that same meeting, the NWCDC Board of Trustees granted Watkins-Brashear a severance package worth more than \$450,000, even though evidence indicates Watkins-Brashear was not entitled to such a large payout because she resigned. It was the second severance package the NWCDC granted Watkins-Brashear. She received a \$200,000 payment in 2006 when she left the NWCDC for a three-week period during which she continued to get paid.

Only three members of the NWCDC's Board of Trustees were present for the votes to dissolve the agency and grant Watkins-Brashear her second severance

package. The Board had been approving resolutions with only three members since October 2011. The NWCDC's Articles of Incorporation require the Board to maintain between seven and 11 Trustees.

OSC's investigation found that significant oversight failures on the part of the NWCDC Board of Trustees, its hired professionals and the City of Newark all contributed to the abuse of public funds detailed in the report. For example, OSC found:

- The Board of Trustees approved the improper payout to the executive director and failed to implement policies that would have set limits on the executive director's authority to issue checks or award contracts.
- NWCDC's hired professionals failed to fulfill basic oversight responsibilities. NWCDC's accountant, for example, failed to meet a contractual responsibility to properly review invoices and set up a system of financial controls. The accountant also knew that Watkins-Brashear was issuing payroll checks to herself and yet did not take any action. NWCDC's general counsel, meanwhile, failed to ensure that the Board complied with its Articles of Incorporation, such as when it operated without the minimum number of trustees.
- The City of Newark awarded the NWCDC no-bid service contracts between 2008 and 2011 and then failed to properly supervise those contracts. City officials also failed to compel the NWCDC to submit required documents essential for oversight, such as minutes of NWCDC Board meetings and annual audited financial statements. The City's mayor, designated to serve as chairman of the NWCDC Board, had not sent a representative to a Board meeting since at least May 2010.

"When a government entity decides to delegate an essential service to a vendor, it still maintains the responsibility to monitor that vendor and ensure that the public's money does not get wasted. This report documents an egregious and yet preventable abuse of public funds that was allowed to continue unfettered for years because of poor oversight," OSC Chief of Staff Melissa Liebermann said. Acting State Comptroller Marc Larkins is recused from this matter.

Much of that abuse of public funds involved actions taken by Watkins-Brashear, OSC found. For example, OSC's review of financial records from 2008 to 2011 showed that Watkins-Brashear signed nearly 70 checks to herself, worth more than \$200,000. NWCDC could not provide adequate documentation or justification for those checks.

OSC also found that Watkins-Brashear had authorized high-risk margin trading in NWCDC's brokerage account since 2007, without board approval. Specifically, in February 2007 Watkins-Brashear signed an agreement expanding the investment account to include trading that involved the borrowing of funds to make securities trades. The account ultimately lost more than \$558,000, or approximately 65 percent of its value, while an account broker executed hundreds of purchases and sales while earning commissions and fees.

OSC's review of select NWCDC procurements found Watkins-Brashear awarded millions of dollars in no-bid contracts for various services without Board approval. Among them were contracts to her ex-husband and both current and former NWCDC employees.

"Our review determined that the executive director of the Watershed Corporation handed out a series of no-bid contracts to vendors with whom she had a personal or pre-existing relationship," said OSC Procurement Director Karen Shelton. "The facts suggest that those vendors received the contracts based on their relationship with the executive director."

For example, the OSC report raises questions about a series of contracts, worth more than \$330,000, awarded to two firms owned by Watkins-Brashear's ex-husband to perform interior design work at NWCDC facilities. In some instances, Watkins-Brashear paid her ex-husband before he actually performed the work in question and also made the checks payable to her ex-husband and not the company, OSC found.

Another vendor received hundreds of thousands of dollars for landscaping work despite having had no prior experience in the field. The vendor, who later became an NWCDC employee, told OSC he had met Watkins-Brashear while working on a political campaign where "buzz" had been circulating about NWCDC handing out contracts. The vendor said he created his company in 2008 so he would be prepared to obtain those contracts and that he purchased landscaping equipment only after the contracts had been awarded to him.

OSC's investigation also found numerous questionable expenditures incurred by NWCDC's executive office, such as a reimbursement for a \$1,410 dinner tab for 20 people - during the New Jersey State League of Municipalities Conference in Atlantic City - that included lobster, margaritas and cognac. OSC also identified petty cash reimbursement checks totaling \$23,700 that were issued to an individual who was not an NWCDC employee. The individual received the payments as compensation for running various errands for Watkins-Brashear, such as cashing checks and picking up the newspaper, OSC found.

The NWCDC is now in the process of implementing a dissolution plan that is being led by four court-appointed provisional trustees. As part of that plan, the NWCDC has returned to the City the responsibility for operating and managing its water treatment facility, storage reservoirs and the watershed property.

OSC's report also provides guidance to New Jersey government entities that contract with a vendor to provide essential services. For example, it recommends government agencies assign a contract manager to review and monitor expenditures and ensure that all necessary documentation is provided to appropriate government personnel.

The findings of OSC's investigation are being referred to the state's Division of Criminal Justice, the New Jersey Bureau of Securities, the State Division of Taxation and the Internal Revenue Service.

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Click [here](#) to view the complete report.

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