



Office of the State Comptroller

Kevin D. Walsh
Acting State Comptroller

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Press Contact: Megan Malloy

Megan.Malloy@osc.nj.gov | 609.575.5863

New Jersey State Comptroller Report Finds Roselle Borough Could Have Saved \$1.9 Million by Using State Health Care Plan *Additional Wasteful or Improper Spending by the Borough Totaled \$1.4 Million*

TRENTON – An audit released today by the Office of the State Comptroller (OSC) finds that internal control deficiencies in the Borough of Roselle resulted in improper and wasteful spending totaling \$1.4 million. Further, Roselle Borough would have saved \$1.9 million in taxpayer money had it selected the State Health Benefits Program rather than a private health insurance carrier for its employees.

The Borough relied on its insurance broker and accepted the broker's cost analysis, which included inaccurate estimates for the cost of health care coverage. The broker's financial incentive for recommending a private carrier and the Borough's trust in the broker for its specialized knowledge without verification of the analysis prevented the selection of the lowest priced health insurance coverage.

Roselle also paid \$800,000 in health insurance coverage or opt-out waiver payments to 12 employees who were ineligible for benefits and to 10 retired employees or their spouses who were deceased. In addition, the Borough continues to pay for health care coverage for dependents even after the retired employees are deceased, which is more generous than New Jersey's state health care plan.

Roselle paid \$257,000 in health coverage or waiver payments for the mayor and council members, despite the fact that the Borough could not provide evidence to show these employees were working the required 20 hours a week to be eligible for coverage. The Borough advised that it provided these benefits based on a resolution, but did not provide OSC auditors with the resolution when requested.

“Our audit showcases many of the opportunities for cost savings that municipalities commonly miss when it comes to purchasing health insurance for employees,” said **Acting State Comptroller Kevin D. Walsh**. “Municipal officials did not do their due diligence before deciding to pursue a private health care

plan. Our audit showed in numerous ways that the Borough failed to use good financial judgment with funds entrusted to it by residents of Roselle.”

OSC’s audit additionally found that Roselle:

Kept a suspended employee on payroll for six years. Roselle’s municipal clerk was suspended with pay pending an investigation concerning the clerk’s office in May 2012. The disciplinary action went unresolved for six years and the Borough paid \$611,000 in payroll and \$48,000 in health benefit opt-out payments to the clerk during this period. In July 2018, the Borough accepted the municipal clerk’s resignation.

Had inadequate oversight over use of Borough vehicles: Employees were allowed to use Borough-owned vehicles to conduct Borough business and commute to and from work. However, Roselle did not always document authorizations for the vehicles, monitor the business use or report the taxable fringe benefits of personal vehicle use, leaving them vulnerable to misuse. The Borough installed GPS tracking to monitor vehicle activity but did not regularly analyze the data. OSC found that 40 percent of miles driven in its sample were to and from non-Borough locations during evening, overnight, and weekend hours.

Improperly awarded consulting contracts. A Borough initiative called Roselle First provided career development training at no charge to Roselle residents and was administered by a nonprofit vendor. Roselle did not award the contract in compliance with the Local Public Contracts Law. The Borough also paid \$146,000 to the vendor for services performed without a contract, leaving the Borough at risk in the event of a legal dispute. Finally, performance reports failed to include adequate documentation that individuals in the Roselle First program had secured employment.

In response to OSC’s findings, the Borough of Roselle agreed to submit a corrective action plan to OSC within 90 days.

The full report, *A Performance Audit of Selected Fiscal and Operating Practices of the Borough of Roselle*, is available [here](#).

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The Office of the State Comptroller (OSC) is an independent state agency that works to advance transparency and integrity throughout New Jersey government and to ensure taxpayer funds are spent efficiently and effectively. The OSC conducts audits and investigations of government agencies throughout New Jersey, reviews certain government contracts, and works to detect and prevent Medicaid fraud.

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