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## **State Comptroller Investigation Questions \$1.5 Million Spent by Union County on Non-Profit Agency**

An Office of the State Comptroller (OSC) investigation released today found that Union County paid in excess of \$1.5 million over a four-year period to a non-profit agency that produced a biannual newsletter and little else in return for the public's money.

The agency, Union County Alliance (UCA), relied almost entirely on public funding but operated with virtually no oversight or recordkeeping, OSC found. Charged with promoting economic development, the UCA was headed by a Union County official, now deceased, who left the county payroll to become employed directly by the agency as its president.

As a non-profit organization, the UCA is not subject to the same ethics standards and regulations that typically apply to public entities. In its report, OSC recommends Union County take steps to ensure that vendors such as the UCA "are not used simply as a means to circumvent rules and regulations that would be imposed upon the government agency by law if it performed the services itself."

"State laws exist to place a level of accountability over the expenditure of public money," Acting State Comptroller Marc Larkins said. "When a group funded almost entirely by government money, managed by government officials, carrying out a government function, is allowed to operate outside of government rules and regulations, accountability disappears."

OSC's investigation focused on a series of annual no-bid contracts from 2008 to 2011 through which Union County paid the UCA \$1.56 million (representing 80 percent of the UCA's funding) to promote economic development in Union County.

Approximately 99 percent of the UCA's funding during that time period came from the County and other public entities within the County.

According to OSC's findings, the only material work product completed by the UCA during that period was the publication of a newsletter called Union County Directions. The newsletter, which was issued twice a year along with periodic electronic updates, consisted of information prepared and provided by the County, including interviews with public officeholders and information about the accomplishments of Union County government and local officials. The newsletter had previously been published by the County itself and cost the UCA approximately \$120,000 a year to publish and mail.

As justification for awarding annual contracts to the UCA without considering other competition, the County asserted that it required services that could not be provided by other vendors. The County renewed its contract with the UCA each year without alterations and with no reassessment of its terms, OSC found. In its report, OSC concluded that the tasks undertaken by the UCA did not require any specialized expertise and the County could have either produced its newsletter in-house, as it had done in the past, or opened the contracts to competition as an attempt to save the public money.

The County's justification for bypassing competitive bidding was further compromised by the fact that the UCA hired additional vendors and consultants to perform work on the newsletter, OSC found. One of those companies was affiliated with the former UCA president's wife and was paid more than \$108,000 for research and editing. The former president's wife also worked for Kean University and was involved in approving \$167,000 in payments from the university to the UCA for advertisements placed in the newsletter. She later recused herself from involvement in additional advertisement payments.

The former UCA president's contract entitled him to 15 percent commission from advertisements placed with the UCA. In addition to the advertisement revenue from Kean University, Union County itself separately paid the UCA at least \$29,000 per year for advertisements in the newsletter, which it was paying to produce.

UCA's lack of recordkeeping made it impossible to accurately account for its finances, said OSC Investigations Division Director Noelle Maloney. The group did not have a functioning treasurer, even though its bylaws required a treasurer to cosign all of its checks, and it did not maintain any budgets.

“In order to conduct our investigation, we had to reconstruct financial details from UCA bank records and other sources,” Maloney said. “Even then, it was impossible to determine exactly how the UCA spent the county’s money.”

OSC did determine that most of the group’s expenditures went to salaries and other forms of employee compensation that raised more questions. The former UCA president received checks at different times, in different amounts, and at times received multiple checks on the same dates which did not correspond with payroll records, OSC found.

OSC also determined that the UCA had a separate checking account with a debit card that was used to charge \$90,000 over the four years, much of it for meals and travel. Charges were incurred from a hotel in North Carolina, a restaurant in Florida and a liquor store in Ship Bottom, New Jersey, OSC found. The UCA kept no receipts or records to demonstrate that any of the expenses were for legitimate business purposes.

The investigative report concludes with six recommendations to Union County and other government units. Among them, it asks the county to consider whether the economic development functions currently provided by the UCA are more appropriately performed by the county itself. The report also provides several steps for all public entities to take when contracting with outside vendors, such as including a code of ethics to deal with conflicts of interest.

County officials said they are reexamining their financial commitment to the UCA in light of OSC’s findings. The UCA’s current president, hired in March 2013, said that steps are being taken to address OSC’s recommendations. For example, the UCA is now using a reimbursement process for expenses and, going forward, vendor contracts and any potential conflicts of interest will be disclosed to the UCA board.

OSC has referred its findings to the Internal Revenue Service, the New Jersey Department of Treasury’s Division of Taxation and the New Jersey Department of Labor and Workforce Development.

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

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