

*State of New Jersey*  
*Office of the Inspector General*  
Mary Jane Cooper, Inspector General



**2007 Annual Report**



State of New Jersey

OFFICE OF THE INSPECTOR GENERAL

PO Box 208

TRENTON NJ 08625-0208

JON S. CORZINE  
Governor

MARY JANE COOPER  
Inspector General

July 30, 2008

The Honorable Jon S. Corzine  
Governor, State of New Jersey  
State House  
Trenton, New Jersey 08625

Dear Governor Corzine:

Enclosed is the Office of the Inspector General's (OIG) 2007 Annual Report. The 2007 report summarizes the large-scale investigations and reviews OIG conducted during the year, most notably, OIG's financial review of misused grant funds awarded by the Division of Addiction Services and OIG's review of the Department of Corrections monitoring of the dental portion of its \$168 million inmate health services contract.

I am pleased to inform you that most OIG investigations and reviews conducted to date have resulted in findings and recommendations to State agencies for actual and potential savings or reimbursement of misused State funds that in total are greater than the annual OIG appropriation of approximately \$2 million.

It is an honor and privilege to serve as the State Inspector General and I am proud of the work this office has accomplished and look forward to continuing this valuable work.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Mary Jane Cooper".

Mary Jane Cooper  
Inspector General

cc: Edward McBride, Chief Counsel, Office of the Governor  
The Honorable Richard J. Codey, Senate President, New Jersey State Senate  
The Honorable Joseph J. Roberts, Jr., Speaker, New Jersey General Assembly

### **Statement from the Inspector General**

I am honored to present the Office of the Inspector General's (OIG) 2007 Annual Report highlighting the major investigations conducted by this office over the course of the year. 2007 saw continued productivity for the office and through the investigations conducted, OIG identified millions in misspent State dollars and instances where State monies were rescued from established patterns of misuse. Most OIG investigations and reviews conducted to date have resulted in findings and recommendations to State agencies for actual and potential savings or reimbursement of misused State funds that in total are greater than the annual OIG appropriation of approximately \$2 million.



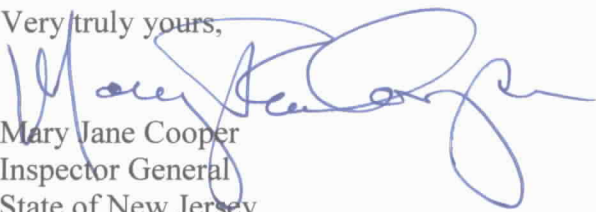
Among the highlights from 2007, the financial review OIG conducted this year of misused grant funds awarded by the Division of Addiction Services (DAS) resulted in a recommendation to the Department of Human Services (DHS) to immediately recoup a minimum of approximately \$1.7 million of misused or unspent State grant funds DAS provided to the grant recipient and that DHS evaluate the use of an additional \$4.4 million of those DAS grant funds to determine whether the funds were used for a legitimate grant purpose or should be returned to the State. As a result of OIG's investigation, that grant was terminated early, resulting in a rescue of nearly \$2.4 million in grant funds. Since OIG's report, DHS has received an additional \$828,000 in returned funds from the grant recipient and is seeking further reimbursement of misused funds.

Additionally, OIG reviewed the Department of Corrections (DOC) monitoring of the dental portion of its \$168 million inmate health services contract and calculated a minimum of \$850,000 to \$1 million in liquidated damages for the vendor's failure to comply with contract timeliness requirements for services with a dental component that could have been assessed by DOC but were not. Although OIG did not investigate the vendors' compliance with medical provisions of the contract, OIG was able to calculate that as little as \$1.7 million and as much as \$2.5 million in medical contract liquidated damages provisions had accrued and could have been assessed by DOC but were not. OIG also concluded that DOC was improperly charged approximately \$132,000 for costs related to oral surgeons and that money should be credited to DOC. Since OIG's report, the vendor has credited DOC certain amounts for improper charges and the State has sought liquidated damages.

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Both of the above referenced investigations are discussed in greater detail in the "Year in Review" section of this report. I hope the residents of New Jersey continue to find the work of this office valuable and I look forward to OIG's continued productivity in 2008.

Very truly yours,

  
Mary Jane Cooper  
Inspector General  
State of New Jersey

## **Office of the Inspector General Mission and Background**

The Office of the Inspector General (OIG) is dedicated to seeking out waste, mismanagement and fraud in government spending and ensuring the accountability and integrity of all state agencies. This office performs investigations to make certain that programs are in compliance with State laws; reviews procurement and public contracts; and receives complaints and allegations of waste and mismanagement in state government.

In November 2004, former Governor Richard J. Codey signed Executive Order No. 7 creating the Office of the Inspector General and on July 1, 2005, OIG was permanently established under N.J.S.A. 52:15B-1 et seq. The Inspector General is authorized to conduct investigations and reviews designed to provide increased accountability, integrity and oversight of all recipients of State funds, including independent authorities, commissions, boards, agencies, or instrumentalities funded by or disbursing State funds. The Inspector General is also authorized to investigate the performance of governmental officers, employees, appointees, functions, and programs in an effort to identify potential cost savings and report any abuses.

In order to carry out the duties of this office, the Inspector General has the power to subpoena documents or sworn testimony from individuals. For this purpose, the Inspector General is empowered to administer oaths and examine witnesses under oath. Failure to comply with a subpoena can lead to sanctions in the Superior Court of New Jersey.

The Inspector General has the authority to cooperate and conduct joint investigations with other law enforcement and oversight agencies. If during the course of, or at the completion of an OIG investigation, information concerning possible criminal activity is uncovered, the Inspector General is required to refer the information to the appropriate law enforcement agency.

The Inspector General reports directly to the Governor and any public reports issued by OIG must be submitted to the Governor, New Jersey State Senate President, Speaker of the New Jersey General Assembly and the entity at issue.

The OIG has one office located in Trenton, New Jersey.

**Mary Jane Cooper, Inspector General**

Mary Jane Cooper has served as New Jersey's Inspector General since February 2005 when she was appointed to the newly-created position by former Governor Richard J. Codey. The Office of the Inspector General (OIG) is dedicated to seeking out waste, mismanagement and fraud in government spending and ensuring the accountability and integrity of all State departments and agencies. As such, Inspector General Cooper has led numerous investigations and reviews conducted by OIG that have resulted in the discovery of mismanagement or circumvention of internal controls by State employees, recovery of misused State funds and rescue of unspent State funds by organizations with insufficient or non-existent internal controls.

Since OIG's first and highly publicized investigation of the then-New Jersey Schools Construction Corporation, now the New Jersey Schools Development Authority, OIG has conducted several other large scale investigations including an investigation into alleged misconduct of a former state department Assistant Commissioner that required review of over 45,000 documents including grant files, financial statements, and Board and general membership meeting minutes by OIG staff. This investigation included the Inspector General's oversight of an unprecedented financial review of a grant recipient's use of State funds. The result was a conclusion that \$1.76 million should be returned to the State; and a recommendation that another \$4.4 million be reviewed by the department to determine whether those funds should be returned as well. In addition, the agency's grant was terminated early and \$2.3 million in State funds were rescued from a well-established pattern of misuse by the agency.

Prior to her appointment and confirmation as New Jersey's Inspector General, Ms. Cooper gained more than 28 years of experience in complex litigation, investigations, and business integrity services in both the public and private sector. Ms. Cooper joined the law firm Stier Anderson in February 1989 and was a member of the firm until her appointment as Inspector General. As a member of the firm, Ms. Cooper conducted numerous investigations into such areas as misuse of corporate assets, procurement fraud, falsification of engineering analyses, mismanagement of safety issues, conflicts of interest, discrimination and retaliation. During these investigations, she worked closely with a variety of experts including nuclear engineers, internal auditors, regulators, members of management, Boards of Directors and Trustees, and public officials, as well as internal and outside counsel representing the client in related legal matters. When appropriate, Ms. Cooper made presentations to regulatory agencies concerning her investigations. Ms. Cooper participated in the firm's work as an independent monitor at Ground Zero following 9/11 monitoring contractors and subcontractors, and reviewing activities and billing procedures to ensure the appropriate expenditure of taxpayer dollars and to uncover any fraud and abuse of those funds.

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At Stier Anderson, Ms. Cooper led the firm's efforts in conducting independent investigations of allegations of sexual harassment and discrimination. Outside counsel have recommended Ms. Cooper to more than 30 employers to investigate allegations against high level managers, and have then used the firm's findings to resolve the matters without litigation. Among those for whom Ms. Cooper has conducted these investigations are publicly-traded and privately-held companies engaged in a variety of businesses as well as government entities. Ms. Cooper has acted as an expert witness, evaluating the sufficiency of employer programs designed to prevent unlawful harassment and discrimination, and investigations conducted under these programs.

Before joining Stier Anderson, Ms. Cooper worked as a New Jersey Deputy Attorney General with the New Jersey Division of Criminal Justice for nine years. Many of her prosecutions involved white-collar crimes, including insurance fraud, gender-related crimes and false construction claims. These cases involved pyramid schemes and complex document trails created by wrongdoers to conceal their activities, as well as sorting out conflicting witness statements. She was the lead attorney of a litigation section and a newly formed unit to investigate organized crime on the New Jersey waterfront. While in the Division of Criminal Justice, Ms. Cooper worked closely with the New Jersey State Police and local police who assisted her with the investigation of her cases and frequently testified concerning those cases. Ms. Cooper successfully prosecuted cases in which police officers and troopers were the defendants.

Ms. Cooper received her J.D. from Rutgers, The State University of New Jersey School of Law, in Camden, in 1979, and earned her B.A. in English Literature from the College of New Jersey in 1967.

**Office of the Inspector General Staff and Services**

The Office of the Inspector General staff of 18 full-time employees, including the Inspector General, is comprised primarily of investigators possessing significant experience in the public and private sectors, strong analytical skills, attention to details and balanced reasoning and judgment. OIG investigators, a combination of attorneys, accountants and career investigators work together in teams conducting complex reviews and investigations involving the waste, abuse and mismanagement of State funds.

In addition to the OIG investigators and as part of a Memorandum of Understanding with the New Jersey Schools Development Authority (SDA), OIG has two investigators who work exclusively on matters related to the SDA. The Memorandum of Understanding was a result of an earlier OIG recommendation that SDA establish an Inspector General office staffed with two investigators who work at the direction of the Inspector General.

Highlights of recent SDA OIG matters are described in the “Year in Review” section of this report.

Administratively, OIG’s Chief of Staff, Public Information Officer and Assistant to the Inspector General provide assistance to the Inspector General and team of investigators, ensuring the successful daily operation and long-term functioning of the office.

OIG maintains a website where visitors will find information related to the office mission and history as well as links to OIG investigative reports of findings and related news releases. OIG’s website also allows for constituents to file a complaint or correspondence to the office electronically. Whether a constituent provides contact information or prefers to remain anonymous, there is an automated form that an individual can fill out and submit to OIG if they have an allegation or concern regarding the potential waste, abuse or mismanagement of State funds.

**OIG’s website address: [www.state.nj.us/oig](http://www.state.nj.us/oig)**

Moreover, OIG maintains a toll-free in New Jersey hotline for individuals to leave a message regarding allegations or concerns regarding the potential waste, abuse or mismanagement of State funds. Callers are requested to submit their complaint in writing via fax, mail or electronically as the office requires all complaints in writing and are invited to provide contact information but callers may remain anonymous if they prefer. Complaints or concerns regarding the SDA may also be submitted on OIG’s website or toll-free hotline as both services provide for a SDA specific communication to be submitted.

**OIG Toll Free in New Jersey Hotline: (866) 633-6585**

Individuals who contact the office concerning allegations of potential waste, fraud or abuse are able to request anonymity and/or confidentiality and free from retaliation from their employer as provided for in the Conscientious Employee Protection Act, also known as the "Whistleblower Act".

### **Correspondence/Constituent Relations**

All correspondence, whether received from an individual or forwarded from a State agency, State Legislator or the Governor's Office of Constituent Relations, are received by the Inspector General, date stamped and forwarded to the Public Information Officer to be logged into the Office of the Inspector General (OIG) constituent correspondence database. All correspondence are then properly acknowledged and reviewed to determine appropriate course of action.

#### *Acknowledgements*

OIG sends acknowledgement letters to senders of correspondence the office receives with the exception of correspondences sent by an individual who does not provide contact information, requests anonymity and does not wish to be contacted or correspondences where OIG is only a copied recipient.

#### *Review Process*

Correspondences are reviewed by the Inspector General and investigative staff to determine if the issue at hand is within OIG's jurisdiction and should be investigated by OIG. If not, OIG determines the most appropriate agency to handle the issue.

The Inspector General approves all recommendations made regarding the appropriate course of action for every correspondence.

#### *Declining to Investigate a Complaint*

In accordance with NJSA 52:15B-10, the Inspector General may decline to investigate a complaint received when it is determined that: the complaint is trivial, frivolous, vexatious or not made in good faith; the complaint has been too long delayed to justify a present investigation; the resources available, considering established priorities, are insufficient for an adequate investigation; or the matter complained of is not within the Inspector General's investigatory authority.

#### *Anonymous Letters*

The OIG welcomes anonymous complaints or tips. A constituent who contacts the office requesting anonymity is directed to put his or her concerns in writing. When a constituent offers contact information but requests anonymity, in the event an investigation is opened, the constituent may be advised of such decision. These correspondences undergo the same review process as all others. As stated previously, individuals who contact the office concerning allegations of potential waste, fraud or abuse are able to request anonymity and/or confidentiality and free from retaliation from their employer as provided for in the Conscientious Employee Protection Act, also known as the "Whistleblower Act".

**Correspondence Statistics for 2007**

Total Received - 121  
Total Acknowledged - 96  
Total Determination - 91<sup>1</sup>

Correspondence Course of Action Determined – 91  
    Not OIG’s Jurisdiction – 28  
    Referral – 51  
    Thank You for Information/Potential OIG Investigation – 12

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<sup>1</sup> Total Number Determined in 2007 does not include 20 correspondences that were received in 2006 and Determined in 2007. Difference in number between Total Received and Total Acknowledged and Determined results from correspondence received anonymously or where OIG was merely a copied recipient.

**Year in Review**

***Supplemental Report: Division of Addiction Services Grant Compliance and Performance Review, Associated Treatment Providers Management Services Network, Inc. (ATP-MSN)***

Report Issued: February 28, 2007

In November 2006, the Inspector General released a report of findings concerning OIG's investigation into the conduct of a former Assistant Commissioner of the Division of Addiction Services (DAS), Department of Human Services (DHS). OIG had been forwarded an anonymous letter the then-DHS Commissioner had provided to the then-Governor's Counsel that contained allegations that the former Assistant Commissioner had conflicts of interest with several organizations receiving DAS grants and that she bestowed unwarranted benefits on those entities. OIG's investigation required an understanding of grant requirements and departmental policies and procedures. This thorough and highly detailed investigation required more than 27 individuals be interviewed, some on multiple occasions, and review and analysis of more than 45,000 pages of documents including grant files, financial statements, and Board and general membership meeting minutes.

This detailed investigation and the conclusion that the former Assistant Commissioner engaged in conduct violative of her trust as a State employee by bestowing unwarranted benefits on these organizations with whom she had a long-standing professional relationship prompted another OIG investigation – an unprecedented financial review of the grant recipient's use of State funds, the findings of which are detailed in the February 28, 2007 Supplemental report.

Working together under the direction of the Inspector General, auditors from OIG and the DHS analyzed the grant recipients financial statements and bank records and in some instances, had to recreate the grant recipients' records that were missing or not available. This financial review included a line item review to determine almost exactly to the penny how the grant funds were used and to determine if the expenditures claimed were in accordance with State and federal grant requirements. This analysis included an examination of whether or not grant performance was reported accurately and properly and found that in fact, many of the documents submitted to DAS by the grant recipient were false or misleading.

OIG's investigation concluded that, at a minimum, \$1.76 million of misspent or unused State funds provided to the grant recipient should be returned to the State, and recommended that another \$4.4 million be reviewed by DHS to determine whether the use of those funds was acceptable to DAS or should be returned as well. Moreover, as a result of the evidence uncovered by OIG's investigation, DAS terminated the 2006 grant early and \$2.3 million in State funds were rescued from a well-established pattern of misuse by the agency.

The Inspector General further recommended that DAS internal controls be revitalized, that staff and leadership of agencies receiving grants receive training and that a DAS compliance monitoring group be established to provide independent monitoring of grants as the former Assistant Commissioner overrode and circumvented the internal controls in place intended to protect State funds.

The findings and conclusions of this investigation were forwarded to the Division of Criminal Justice for their review to determine if any of the conduct in this report warrants criminal prosecution. OIG also referred the report to the Department of Labor and Workforce Development and the Division of Taxation in the Department of Treasury to determine whether there have been violations of wage and hour, or tax reporting violations, respectively.

### ***2007 Summary and Analysis of State Authorities' Employee Benefits Review Update***

Report Issued: August 20, 2007

This is an update to OIG's 2006 report that compared the benefits of State Authority employees and similarly situated non-authority State employees. The analysis of State authorities was undertaken pursuant to Executive Order No. 41 (Governor Richard J. Codey) that directed OIG to "assess the internal controls in place at every authority and make recommendations concerning what uniform practices and procedures should be established for all State authorities." In addition to conducting detailed reviews of each authority, OIG undertook an analysis of the benefits provided to State authority employees and similarly situated, non-authority State employees. OIG's analysis of employee benefits and policies included a review of salaries and bonuses, retirement, employee leave, health benefits, vehicle, equipment and cellular phone policies, as well as travel and entertainment policies.

OIG's 2006 report, the first report, revealed that the benefits provided to authority employees often varied from the benefits provided to similarly situated non-authority State employees and where there was a difference, often times the benefits provided to the authority employee were better than those provided to the non-authority State employee. Subsequently, OIG recommended that to the extent possible and appropriate, consideration be given to establishing policies at the authorities that are consistent with those of the State. Moreover, OIG offered to compile benefits information from the authorities annually and to the extent that any authority benefits have changed, OIG would report those changes.

In response to OIG's 2006 report, many State authorities changes their policies and procedures to bring them into line with those of the State and those changes are reflected in OIG's 2007 report. Most significantly, the 2007 report concluded that the number of

employees at the majority of State authorities has decreased and of the remaining authorities, most experienced no change in staffing levels. Additionally, OIG's report revealed revisions to various State authorities' travel and entertainment policies to be consistent with those of the State, including changes to meal and/or mileage reimbursement policies; changes to various authorities' holiday and early dismissal policies; and the elimination of policies pertaining to compensatory time and salary advances for vacation and/or other emergencies. OIG is currently in the process of compiling and analyzing information from the authorities included in the review for the 2008 update report.

### ***Department of Corrections Inmate Dental Services Report***

Report Issued: October 15, 2007

At the request of the Department of Treasury (Treasury), OIG conducted a review of the Department of Corrections (DOC) monitoring of the dental portion of its \$168 million inmate health services contract with Correction Medical Services (CMS). Treasury's Contract Compliance and Administration Unit (CCAU) had previously audited the dental services program soon after its commencement of the contract with CMS and determined that DOC did not have sufficient controls in place to monitor contract performance requirements. DOC contested CCAU's findings and this, CCAU requested OIG to determine whether its findings were valid.

OIG's review revealed DOC failed to accurately monitor contractual requirements that resulted in the inability to guarantee that DOC was receiving services for which it paid and whether or not it was paying undue compensation to CMS. OIG's report further concluded that DOC did not calculate or assess liquidated damages against CMS for its failure to comply with two contractual requirements to provide dental services with specified time frames. OIG calculated that CMS could be assessed a minimum of \$850,000 to \$1 million in liquidated damages for the vendor's failure to comply with specific contract timeliness requirements.

Moreover, OIG's review concluded that DOC should withhold \$132,345 from future payments to CMS to make up for improper charges for oral surgeons and recommended that DOC review dental services invoices to determine whether other improper amounts were charged.

**Office of the Inspector General – New Jersey Schools Development Authority**

As mentioned elsewhere in this report, two attorney Assistant Inspector Generals, who report directly to and work at the direction of, the Inspector General, work solely on reviews and investigations related to the New Jersey Schools Development Authority (SDA). The reviews and investigations that SDA OIG performs fall into several categories of "fraud, waste, abuse or mismanagement."

Among the investigations SDA OIG conducts are those involving third persons. Recently, SDA OIG investigated an allegation that a tenant had defrauded the SDA of relocation benefits by intentionally overstating the rent he paid in his replacement residence after he was displaced by the SDA's acquisition of the house he had rented. The SDA OIG investigation confirmed that the tenant had in fact defrauded the SDA of approximately \$10,000. The SDA ceased all further payments to the tenant and the Attorney General's Office pursued criminal charges, to which the tenant entered a guilty plea.

SDA OIG also conducts investigations and reviews that involve conduct of SDA employees. One such investigation was of an SDA employee who transferred an SDA-owned E-Z Pass from an SDA car and used it in the car the SDA had issued to him. The employee used the SDA E-Z Pass for the tolls the employee incurred while commuting between the employee's home and the SDA regional office. The conclusions of SDA OIG's investigation enabled the SDA to take personnel action against the employee.

SDA OIG also conducts investigations concerning the performance of Project Management Firms, Architects and Contractors and investigations of SDA performance, especially in procurement and change order processing. By way of example, SDA OIG uncovered an incorrect charge to the SDA of approximately \$200,000 by an engineering firm and brought such charge to the attention of SDA management who will likely bring an "errors and omissions" charge against the engineer and possibly the architect as well.

As part of the SDA restructuring, the SDA is revising its "Operating Authority." This establishes the level of authority held by the different levels of SDA management and allocates authority between the SDA board and SDA management. The SDA requested SDA OIG review and comment on the proposed changes so that the SDA Board would have the benefit of OIG insight on these issues.

Moreover, in an effort to increase awareness of the role of the SDA OIG among the contractors doing work with SDA, it was decided that posters and signage publicizing the SDA OIG Hotline number would be placed on all school construction job sites. Sample posters are currently being reviewed and approved and it will be required that the hotline flyer be posted at all SDA project worksites.

**How to Contact the Office of the Inspector General**

**Mail:** P.O. Box 208  
Trenton, New Jersey 08625

**Phone:** 609-292-8183 (phone)

**Fax:** 609-984-3990 (fax)

**Hotline:** 866-633-6585 (toll free in New Jersey)

**Website:** [www.state.nj.us/oig](http://www.state.nj.us/oig)