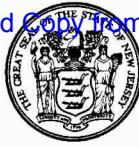


*State of New Jersey*  
*Office of the Inspector General*  
Mary Jane Cooper, Inspector General



**2008 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*

The Honorable Jon S. Corzine  
Governor, State of New Jersey  
125 West State Street  
Trenton, New Jersey 08625

Dear Governor Corzine:

Enclosed please find the Office of the Inspector General's (OIG) 2008 Annual Report highlighting the work the office conducted during the last calendar year. Perhaps the most significant and comprehensive report OIG released in 2008, was the report following our year-long investigation regarding the Meadowlands Remediation and Redevelopment Project. At your request, OIG conducted an investigation into the history of the Meadowlands project financing and was able to present the factual history of the more than a decade long project and make recommendations for protecting millions of dollars in State funding and State interests in similar projects going forward.

It is with great pride that I submit this annual report to you that demonstrates how OIG's work continues to result in identified monetary savings and reimbursement of funds to the State.

Very truly yours,

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

Mary Jane Cooper  
Inspector General

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

## **Message from the Inspector General**

I am pleased to present the Office of the Inspector General's (OIG) 2008 Annual Report that highlights the office's work over the past calendar year. As the Governor's investigatory arm, OIG's charge is unique within State government: it was created to receive and investigate complaints concerning alleged fraud, waste, abuse or mismanagement of State funds with the goal of providing increased accountability, integrity and oversight of recipients of State funds. In 2008, OIG has continued its efforts through our investigations and reviews, and has been able to identify misused or improperly committed funds that far exceed OIG's fiscal year budget. In fact, in just two of OIG's largest scale investigations this year, the Meadowlands Remediation and Redevelopment Project and Department of Corrections investigations, OIG has identified over approximately \$45 million in State funds that were either protected from being misspent or as improperly spent and identified for recoupment by State entities.



The investigations and reviews conducted by the office and emphasized in this report are intended to give you an idea of the investigations' purposes, ultimate findings by OIG and any referrals to other government agencies or recommendations for corrective actions made by OIG. This annual report provides only a brief synopsis of these OIG investigations, so I invite you to read the full-text of these reports which can be found on OIG's website, [www.state.nj.us/oig](http://www.state.nj.us/oig).

And as always, I invite you to contact the Office of the Inspector General if you have any questions, comments or concerns about potential misuse or fraud involving State funds.

## **Office of the Inspector General Information**

The Office of the Inspector General (OIG) is dedicated to identifying waste, mismanagement and fraud in government spending and ensuring the accountability and integrity of all state agencies. This office receives complaints and performs investigations to make certain that programs are in compliance with State laws. Every year the office has conducted investigations that have identified problems with certain government operations, as well as causes for these problems. These investigations have resulted in either a return of misspent or mismanaged State funds to the State or the rescue of State funds from a pattern of misuse revealed through OIG investigations.

OIG's Fiscal Year '09 (July 1, 2008 – June 30, 2009) annual appropriation is \$1.8 million and the office is staffed with 17 full-time employees. The small yet talented OIG staff consists of 14 investigators, including two investigators who work solely on investigations and reviews related to the New Jersey Schools Development Authority, two administrative staff, and the Inspector General.

## **Background on the Office of the Inspector General**

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; failure with which to comply can lead to sanctions in the Superior Court of New Jersey. Moreover, the Inspector General is empowered to administer oaths and examine witnesses under oath.

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.

OIG has one office located in Trenton, New Jersey.



## **Mary Jane Cooper, Inspector General**

Mary Jane Cooper has served as New Jersey's first Inspector General for the past several years since she was appointed to the newly created position by former Governor Richard J. Codey in February 2005. 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 and any entity where State funds are spent. As such, Inspector General Cooper has led numerous investigations that have resulted in the recovery of misused State funds and prevented the potential further abuse of unspent State funds by organizations with insufficient or non-existent internal controls. Among the most widely publicized investigations OIG has conducted are those concerning the Meadowlands Remediation and Redevelopment Project, the Schools Development Authority (formerly Schools Construction Corporation), the Division of Addiction Services and the Department of Corrections.

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 in 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 and 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, assigned by New York City's Department of Investigations to monitor contractors and subcontractors, to review activities and billing procedures to ensure the appropriate expenditure of taxpayer dollars and to prevent and uncover any fraud and abuse of those funds.

At Stier Anderson, Ms. Cooper also began and 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 and written published articles on the topic.

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 crimes of violence, 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 of a newly formed unit to investigate organized crime on the New Jersey waterfront. While at 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 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.

## **Year in Review**

### ***Meadowlands Remediation and Redevelopment Project***

***Report Issued: February 28, 2008***

***State funds protected and not spent as a result of OIG investigation: Approximately \$40 million.***

At Governor Corzine's request, OIG conducted an investigation into the history of the Meadowlands Remediation and Redevelopment project's financing as there was a concern that the towns specifically impacted by the Meadowlands Project could be at financial risk as a result of their agreements with EnCap, the Project's developer. Early on, OIG determined that there was no comprehensive understanding of the massive project among State and local government entities. Contemporaneously with our investigation, OIG was able to facilitate communication and coordination among the government entities and identify the failures and underpinnings of the State loans, providing valuable lessons learned for public/private partnerships going forward. Moreover, OIG's investigation also revealed that EnCap representatives had significantly misrepresented EnCap's qualifications and private financial support when contracting to perform the remediation and redevelopment of the Meadowlands Project with the state Meadowlands Commission. This information was contemporaneously shared with responsible State parties who were then dealing with EnCap principles. The new information contributed to concerns of these state officials about EnCap's ability to complete the Project. The State halted the project, and OIG's investigation aided in the protection of approximately \$40 million in State loan funds from being spent.

OIG referred its report of findings to the New Jersey Division of Criminal Justice (Criminal Justice) to determine if any of the conduct described in the report warrants criminal investigation. It is OIG's understanding that both Criminal Justice and the United States Attorney's Office initiated investigations related to the Meadowlands Project.

In response to OIG's February 2008 report concerning the Meadowlands Remediation and Redevelopment Project, several actions have been taken by the executive and legislative branches. The Governor and the Legislature have responded to OIG's findings concerning the Meadowlands Project by working on an Executive Order and introducing bills that are intended to implement reforms recommended by OIG and impose mechanisms intended to prevent the problems identified by OIG. Both the bill's sponsors and committees considering the legislation have consulted with OIG concerning these measures and the Inspector General has appeared before various legislative committees to discuss OIG's report findings and recommendations.

Moreover, it was announced that American Home Assurance Company (AHA), a subsidiary of American International Group, will fund the \$148.8 million cleanup of the former Meadowlands landfills, pursuant to the terms of a performance bond it sold to EnCap in May 2004. According to the terms of the bond, AHA committed to completing, or paying the costs of, the remaining work on the project in the event EnCap defaulted. OIG Website link:

<http://www.state.nj.us/oig/pdf/Meadowlands%20Remediation%20and%20Redevelopment%20Project.pdf>



## ***Letter to Attorney General Anne Milgram Regarding the Victims of Crime Compensation Agency***

***Letter Released: July 15, 2008***

***Thousands of State dollars likely rescued from potential misuse.***

The Victim of Crime Compensation Agency's (VCCA) primary purpose, as outlined in its enabling legislation, is to provide compensation to innocent claimants who have suffered from the commission of enumerated crimes. VCCA had been run for several years by an independent Board however, under the Governor's reorganization plan, the VCCA duties and responsibilities were transferred to the Attorney General's Office. Prior to that transfer, OIG had been requested to review the VCCA's operations by the Department of Treasury who at the time served as fiscal agent for VCCA. Treasury representatives had expressed concerns to OIG that VCCA was following sound fiscal policies and procedures.

Although OIG's final report has not been issued, while conducting its review of VCCA operations, OIG identified substantial items that it believed would be of concern to the Attorney General. OIG wrote to the Attorney General to detail certain initial findings and concerns that, in sum, VCCA was inappropriately awarding payments to claimants.

After the Attorney General became responsible for VCCA, the Attorney General assigned staff to review the agency's operations and processes and to identify possible improper payments. The then-Executive Director was terminated and the Attorney General assigned a temporary Executive Director and has since assigned a permanent Executive Director.

OIG has met with the United States Department of Justice Inspector General on two occasions, the New Jersey Division of Criminal Justice on two occasions to assist in their review of the program, and cooperated with the State Ethics Commission. OIG's review and intervention has likely resulted in the rescue of thousands of dollars from potential misuse.

OIG Website Link:

[http://www.state.nj.us/oig/pdf/lettertoagmilgram\\_victimsofcrimecompensation.pdf](http://www.state.nj.us/oig/pdf/lettertoagmilgram_victimsofcrimecompensation.pdf)



***2008 Summary and Analysis of State Authorities Benefits Review Update***  
***Report Issued: December 3, 2008***  
***Decrease of 1,752 authority employees since 2007 report.***

Similar to OIG's work in 2006 and 2007, early in 2008 OIG issued a request of authorities for information and updates regarding certain employee benefits and coordinated the information to complete the latest summary and analysis of State authorities employee benefits. OIG's 2008 update report focuses on employee benefits, bonuses, salaries, leave time, travel and entertainment allowances, cellular phone usages, health benefits and retirement. Among the highlighted items in OIG's 2008 report is recognition of the reduction in the total number of State authority employees – a decrease of 1,752 employees since OIG's 2007 report. Shining a light on more liberal travel and entertainment policies at authorities has resulted in the authorities amending the policies making them more consistent with State policies; and continued modifications to leave time policies at various State authorities to become more consistent with State policy.

OIG Website Link:

[http://www.state.nj.us/oig/pdf/2008\\_Summary\\_and%20Analysis\\_of\\_State%20Authorities\\_Employee%20Benefits.pdf](http://www.state.nj.us/oig/pdf/2008_Summary_and%20Analysis_of_State%20Authorities_Employee%20Benefits.pdf)

## ***Supplemental Report: Department of Corrections – Inmate Health Services***

***Report Issued: December 9, 2008***

***State funds identified for recoupment: Approximately \$4.3 million***

OIG's continued investigation into the Department of Corrections (DOC) Inmate Health Services Contract revealed an improper agreement between a former DOC Deputy Commissioner and a Vice President of Correctional Medical Services, Inc. (CMS), the vendor that resulted in DOC's failure to assess approximately \$3.6 million in liquidated damages against CMS for failure to meet certain contract specifications.

OIG's investigation also revealed that the Deputy Commissioner falsely testified to OIG and falsely stated to the current DOC Commissioner that the former DOC Commissioner had suspended the assessment of liquidated damages. In order to suspend contract provisions that obligated CMS to pay liquidated damages, the Deputy Commissioner withheld material information concerning CMS's substandard performance from the current and former DOC Commissioners and thwarted the efforts of DOC staff who were attempting to enforce the contract terms and improve CMS' performance.

OIG referred the findings to the New Jersey Division of Criminal Justice and the State Ethics Commission to determine whether further action was warranted. The Deputy Commissioner is no longer a state employee.

OIG's investigation also revealed that CMS had overcharged DOC approximately \$700,000 in improper management fees. Of this amount, CMS has acknowledged and repaid the State Approximately \$430,000 and disputes the remaining \$270,000 as well as the \$3.6 liquidated damages assessment. The State has withheld approximately \$3.8 million from the final payments due CMS and has segregated this amount pending resolution of litigation commenced by CMS. OIG is assisting the Attorney General's efforts in resolving this matter.

While working with DOC, OIG discovered several weaknesses in DOC's procedures and brought those weaknesses to the attention of DOC's procurement department for corrective action. CMS no longer has the contract to provide inmate health services.

OIG Website Link:

<http://www.state.nj.us/oig/pdf/OIG%20%20Department%20of%20Corrections%20Inmate%20Health%20Services%20Supplemental%20Report%20December%209%202008.pdf>

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

OIG's 2005 initial report detailed the weak internal management and financial controls and lax or nonexistent oversight and accountability in place at the Schools Development Authority (SDA), formerly the Schools Construction Corporation, an organization charged with building schools and a budget of \$8.6 billion. In that report, the Inspector General recommended to the then-Governor that SDA halt its work and spending until it implements a series of emergent recommendations for internal controls and appropriate spending. The then-SDA President acknowledged that millions of dollars in waste was prevented by this halt. Since that time, OIG has continued to conduct reviews of SDA and certain vendors that have resulted in various reimbursements of overcharges or incorrect payments to SDA.

Pursuant to a Memorandum of Understanding between the SDA and OIG, two full time Assistant Inspectors General are assigned to work exclusively on SDA matters and report directly to the Inspector General. Their responsibilities include investigating and examining various operations of the SDA to assist in ensuring that the activities of the SDA are performed in an economical, effective, ethical, and efficient manner, to help guard against waste, fraud, abuse and mismanagement, and to identify opportunities for cost savings for SDA's consideration. These Assistant Inspectors General enjoy full and complete access to SDA records and conduct interviews with SDA staff and entities doing business with the SDA. The Inspector General and two SDA OIG Assistant Inspector Generals have a standing meeting every other week with the Chief Executive Officer (CEO) of the SDA and selected members of SDA staff to discuss ongoing investigations and other matters of concern or interest to SDA OIG or SDA CEO. The meetings have been very productive in bringing important concerns to the surface in identifying possible weaknesses.

In 2008, SDA OIG worked with SDA staff to ensure that SDA post at all of its construction sites signage displaying the OIG Hotline number and encouraging the public to contact the Hotline to report suspicions of waste, fraud or abuse in connection with the use of funding for a school construction project.

Moreover, SDA OIG recommended that SDA implement the execution of an individual "Absence of Benefits Certification" by all members of SDA staff. In completing this document each staff member certifies that he or she has neither sought, nor received, any item or other thing of value in the past calendar year from an interested party. If an employee has received an item that has not been previously reviewed and approved for acceptance by the Authority's Ethics Liaison Officer, that employee will be required to list all such items or things of value on the Absence of Benefits Certification.

SDA OIG conducted an investigation concerning fraudulent actions by a tenant who submitted a falsified lease to the SDA, causing SDA to overpay a rent supplement to the tenant. SDA OIG referred the results of its investigation to the New Jersey Division of Criminal Justice (DCJ) for further action. DCJ subsequently obtained a three count indictment against the former tenant. The matter was ultimately resolved by a plea agreement; the tenant entered a guilty plea to one of the three counts; he was sentenced to three years' probation and was ordered to pay \$10,080 in restitution to the SDA.



Additionally, SDA OIG investigated an allegation that a general contractor had made false certifications to the SDA regarding payments the contractor had made, or would soon make, to a subcontractor. During its investigation, SDA OIG obtained the relevant documents from SDA, including invoices that the general contractor had submitted for the project. SDA OIG also obtained proof that the subcontractor had in fact performed the work and proof that the SDA had paid the general contractor for the work that the subcontractor had performed. The evidence gathered in SDA OIG's investigation indicated that the general contractor may have in fact made false certifications to the SDA regarding the status of payments from the general contractor to its subcontractor. SDA OIG referred the matter to DCJ for determination as to whether or not the conduct described in its report amounted to criminal conduct warranting prosecution.

OIG Website Link to SDA OIG Reports and News Releases:  
[http://www.state.nj.us/oig/sda\\_news.html](http://www.state.nj.us/oig/sda_news.html)

## **Correspondence/Constituent Relations**

In calendar year 2008, OIG received a total of 92 constituent correspondences, most of which were concerns regarding various State agencies/entities or requests for investigations of a State-run program.

All correspondence, whether received from an individual or forwarded to OIG from a State agency, State Legislator or the Governor's Office, are properly acknowledged by OIG and reviewed to determine the appropriate course of action<sup>1</sup>. Correspondence is reviewed by the Inspector General and investigative staff and those cases that will potentially have the greatest fiscal impact and benefit to the State are given top priority. The Inspector General must decide whether OIG's limited resources should be devoted to a matter and if not, whether another appropriate agency handle the matter.

Of the 92 constituent correspondences reviewed and closed by OIG in 2008, OIG declined to investigate 93 percent of complaints and referred most of those correspondences to an appropriate State agency, including the New Jersey Division of Criminal Justice, State Ethics Commission, and Office of the Public Advocate. Some matters required further analysis and inquiry by OIG beyond the information contained in the initial correspondence received by OIG. Of those, OIG subsequently determined that the matter was either appropriate for another State agency, did not require a formal report, or the case is currently still under review by OIG.

In instances where the Inspector General refers a case or correspondence to another State agency or office, the Inspector General requests that if possible, OIG be made aware of any action or ultimate resolution concerning the matter referred. Any subsequent information provided to OIG related to that referral is included in OIG's correspondence file. During the year, OIG has received notification from State departments and agencies to whom a matter was referred that the subsequent investigation conducted by that State entity has resulted in appropriate administrative or fiscal action taken.

### Correspondences Course of Action Determined – 63

- Closed – 14
- Referral – 44
- Information Acknowledged and Potential OIG Investigation – 5

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<sup>1</sup> Of the 92 constituent correspondences received, OIG directly acknowledged receipt of 69. OIG did not acknowledge the remaining correspondence because the correspondence was anonymous and no return contact information was provided, or the correspondence was not directed to OIG as the primary recipient, that is, OIG was copied on the correspondence but not requested to take any action.