

**STATE OF NEW JERSEY  
OFFICE OF THE STATE COMPTROLLER**

**ANNUAL REPORT  
Fiscal Year 2012**

**IMPROVING THE EFFICIENCY, TRANSPARENCY  
AND FISCAL ACCOUNTABILITY OF  
NEW JERSEY GOVERNMENT**

**A. Matthew Boxer  
COMPTROLLER**

# Table of Contents

<b>Letter from State Comptroller Matthew Boxer .....</b>	<b>1</b>
<b>Overview .....</b>	<b>5</b>
<b>Audit Division.....</b>	<b>6</b>
<b>Investigations Division .....</b>	<b>12</b>
<b>Medicaid Fraud Division .....</b>	<b>14</b>
<b>Procurement Division.....</b>	<b>19</b>
<b>Policies, Procedures and Public Outreach .....</b>	<b>22</b>
<b>Headlines.....</b>	<b>24</b>



*Dear Governor Christie,  
Members of the State Legislature,  
and Residents of New Jersey:*

This past fiscal year saw continued success for the Office of the State Comptroller (OSC) in our mission to stand up for the taxpayers of New Jersey and deliver results on their behalf.

We continued to produce a consistent string of quality reports in Fiscal Year 2012 that shed light on a wide range of issues and led to remedial action by the government agencies involved.

We pre-screened or reviewed more than 600 public contracts and found that while many flaws in government contracting practices persist, those practices are improving.

And on the legislative front, the recommendations from two of our reports were codified with new laws that will bring greater transparency and efficiency to our government.

But perhaps most fundamentally, our success is demonstrated in terms of the tax dollars we recovered and the tax dollars we saved.

Through the efforts of our Medicaid Fraud Division, we once again recovered for taxpayers more than \$100 million in improperly paid Medicaid funds this past year. The division's proactive anti-fraud efforts also helped avoid payment of an estimated \$402 million in other potential Medicaid expenses.

And our Audit Division once again identified tens of millions of dollars in projected public savings for taxpayers – and we saw our work from past fiscal years continue to benefit taxpayers as recommendations from previous audits resulted in the realization of tens of millions of dollars in additional savings.

As always, our office focused on the areas of New Jersey government most ripe for savings and with the greatest potential to yield real benefits for taxpayers.

For example, our auditors analyzed how government entities have been procuring their health insurance coverage and found that far too many of those entities were paying unnecessary brokerage fees and avoiding the basic steps necessary to get the best deal for taxpayers. We found New Jersey local governments could collectively save more than a hundred million dollars each year by opting for the state health plan over more costly private health insurance plans. Since the issuance of our report, 20 local governments across New Jersey already have switched to the state health plan to save money on their insurance coverage.

We also audited the state's largest Medicaid managed care organization and found the company had done a poor job of pursuing and reporting fraud and abuse recoveries that would lower the state's insurance costs. The insurer's fraud recoveries represented less than one-tenth of one percent of the \$1.3 billion it receives annually from the state – and only 14 percent of those recoveries were even reported to the state as required.

Our efforts were not restricted, however, to billion-dollar agencies. In order to maintain the type of presence that tells all New Jersey public officials their actions are being scrutinized, our efforts continued to span across public entities of all sizes and with a wide range of geographical locations.

Our Investigations Division, for example, found the tax assessor for the Borough of Edgewater inappropriately had reduced the assessed property value of more than a hundred condominium units owned by the same wealthy developer, operating without documentation to grant reductions that more than tripled the tax reductions provided to other owners of identical units in the same complex.

And our Medicaid Fraud Division moved aggressively to recover funds not only from large managed care organizations, but also from smaller entities such as a Camden shoe store that allegedly misclassified hundreds of name-brand sneakers as orthopedic footwear in an attempt to collect improper reimbursements from the Medicaid program.

We also continued to focus our attention on independent government authorities that spend large sums of public money but historically have operated in the shadows. For example, in nearly every area of operations we reviewed at the Delaware River Port Authority (DRPA), we found people who treated the agency like a personal ATM, from DRPA commissioners to private vendors to community organizations.

Most importantly, the exposure led to reform. For example, the DRPA report detailed a wasteful scheme to share more than \$1 million in DRPA insurance policy commissions among a number of insurance brokers, some of whom performed little

to no work for the money and one of whom told our investigators, “I performed nothing.” Following the release of the report, the DRPA ended the commission sharing arrangement and instead conducted a competitive selection process that resulted in new brokers and more than \$487,000 in annual savings.

Another OSC report identified hidden perks and benefits being provided to New Jersey community college presidents funded by taxpayers and college students. In analyzing the total compensation provided to those presidents, we found community colleges that paid expenses such as the relocation costs for an incoming president’s pet, housing allowances that reached as high as \$3,500 per month and annual retirement contributions that in one case were more than 14 times the amount required by state statute.

In other cases, the waste our office exposed amounted to more than simple dollars and cents. When our auditors cross-referenced the applications of participants in the state-funded child care assistance program with corresponding tax returns they found that 15 percent of those program participants actually were ineligible for assistance based on their true income. While ineligible participants were receiving assistance they did not qualify for, approximately 8,000 children remained on the program’s waiting list. Our audit also found that the state had overpaid child care providers for one out of every six children in the program, indicating that total program overpayments could amount to millions of dollars.

On the local government level, our Procurement Division concluded on the basis of more than a thousand contract reviews that a series of fatal flaws had essentially rendered New Jersey’s Pay-to-Play law meaningless in the effort to prevent local governments from steering contracts to politically favored vendors. The report examined an exception to the Pay-to-Play law that allows local governments to award contracts to campaign donors with virtually unlimited discretion as long as the local government uses what the law defines as a “fair and open” process.

After the release of the report, multiple public entities passed stronger pay-to-pay ordinances that eliminated the “fair and open” loophole. In one case, a local community organization that had been pushing its county government for years to pass stronger pay-to-play rules finally met with success after the issuance of our report.

This past fiscal year also brought new successes derived from reports issued in previous years. For example, when the state entered into new collective bargaining agreements with state employees this past fiscal year, it set new restrictions that significantly reduced the number of employees eligible to receive a state-funded clothing allowance. That contractual change, which will save nearly \$3 million

annually, came in response to an OSC report that found the state had been paying clothing allowances for employees who actually are not required to wear uniforms or other specialized work clothing.

New state laws also were enacted to codify recommendations from earlier OSC reports. One law reformed the state's surplus equipment disposition practices in response to an OSC audit that found confidential data on nearly a third of the state computers set to be auctioned from the state's surplus property warehouse. Another new law requires all local public entities in the state to maintain a website that includes information such as their financial reports and public meeting information, a simple but crucial practice that had not been followed by the vast majority of the nearly 600 public entities reviewed by OSC.

We've also seen increased involvement from the public in our work. The number of visits to our website increased by 25 percent this past year and the number of tips and complaints fielded by our investigators was higher than it has ever been.

In the pages that follow, this annual report describes these successes and others in further detail. Many of these accomplishments would not have occurred without the input, involvement and action of all of you.

As I talk to public officials from around New Jersey, I am encouraged by the change that I sense in the culture of our government. I've noticed a greater sensitivity to the responsibility we all share to protect the interests of the taxpayers of our state.

It is a culture change that is still evolving, to be sure, but as an office we take great pride in our role in making sure that evolution continues. There is plenty more work to be done, and I pledge to all of you that in the fiscal year ahead we will continue to turn over every rock in New Jersey government in search of greater savings and efficiencies on behalf of the taxpayers of this state.

A. Matthew Boxer  
State Comptroller

# OVERVIEW

Since we began operations in January 2008, the Office of the State Comptroller (OSC) has served as an advocate for taxpayers and a leader in bringing about government reform. OSC reports have focused on bringing greater efficiency, transparency and analysis to the operation of all levels of government in New Jersey.

In the past fiscal year, OSC reports and related actions resulted in the recovery of more than \$100 million for taxpayers while also setting forth recommendations that should result in tens of millions of dollars in additional taxpayer savings when implemented. In addition, the office's proactive anti-fraud efforts led to the avoidance of hundreds of millions of dollars in unnecessary expenses for the New Jersey Medicaid program.

The office pre-screened or reviewed more than 600 public contracts this past fiscal year and fielded nearly 1,000 tips regarding allegations of waste, fraud and abuse. There were also more than 400,000 visits to the office website, [www.state.nj.us/comptroller](http://www.state.nj.us/comptroller), representing a 25 percent increase from the previous year.

The "State Integrity Investigation," a nationwide survey that ranked New Jersey first in the nation in terms of promoting transparency and accountability in government, specifically recognized OSC for its role in these efforts.

OSC consists of four divisions that work in a coordinated fashion while carrying out distinct functions. They are the Audit Division, the Investigations Division, the Medicaid Fraud Division and the Procurement Division.

The sections of this report that follow briefly explain the role of each division while setting forth highlights of OSC accomplishments from the past fiscal year of July 1, 2011 to June 30, 2012.

## Top 10 Most Viewed State Comptroller Reports on OSC's Website

1. Cost Analysis of Selected Local Government Units Joining the State Health Benefits Program
2. Programmatic Examination of Municipal Tax Abatements
3. Performance Audit of Atlantic City
4. Investigative Report - Delaware River Port Authority
5. Audit of Financial and Operating Practices at the New Jersey Turnpike Authority
6. Analysis of Compensation Provided to New Jersey Community College Presidents
7. Audit of the Department of Corrections, Residential Community Release Program
8. Audit of the Department of Treasury's Disposition of Excess and Surplus Computer Equipment
9. Performance Audit of Third-Party Contracting at the Division of Developmental Disabilities
10. Audit of Contracting and Financial Management Practices at Rutgers, The State University of New Jersey

*Office of the State Comptroller reports can be viewed in their entirety at [www.nj.gov/comptroller](http://www.nj.gov/comptroller).*



# AUDIT DIVISION

OSC's Audit Division conducts audits and reviews the performance of the executive branch of New Jersey state government, public institutions of higher education, independent state authorities, local governments and school districts. During fiscal year (FY) 2012, Audit Division reports identified tens of millions of dollars in projected public savings while documenting tens of millions more in savings realized through the implementation of recommendations from previous audits.

The division is led by William P. Challice, whose previous 35 years of experience with the New York State Comptroller's Office included 20 years as audit director. Mr. Challice also is the former chair of the New York/New Jersey Intergovernmental Audit Forum.

The Audit Division staff includes numerous members who possess certifications or professional designations such as Certified Public Accountant, Certified Government Financial Manager, Certified Internal Auditor, Certified Fraud Examiner and Certified Information Systems Auditor. OSC audit staff continued to refine and update its training in the past fiscal year with attendance at various sessions sponsored by groups such as the Association of Government Accountants, the National State Auditors Association, and the National Association of State Auditors, Comptrollers and Treasurers (NASACT). Staff members also take part in the NASACT peer review program, participating in reviews of governmental auditing agencies in other states.

OSC's Audit Division includes three primary working groups: performance auditing, planning and analysis, and information technology auditing. Examples of

work from each of those groups in FY 2012 are set forth below. OSC audit reports can be viewed in their entirety on our website, [www.nj.gov/comptroller](http://www.nj.gov/comptroller).

## Performance Auditing

### *Cost Analysis of Selected Local Government Units Joining the State Health Benefits Program*

This audit found that New Jersey local governments could collectively save more than a hundred million dollars each year by opting for the state health plan instead of more costly private health insurance plans. The audit focused on four government entities of varying locations and size - Essex County, Brick Township, East Brunswick Township and Haddon Township - and found that none of them had properly evaluated their options for health care coverage. The report estimated that those four public entities alone could have saved more than \$12.5 million in 2009 and 2010 through participation in the state plan.

The OSC audit also found that one of the four audited entities had violated the state's Pay-to-Play law in hiring its health insurance broker. Additionally, all four of the audited government entities were found to have failed in some way to comply with state contracting law when procuring health insurance services.

Since the issuance of the report, 20 local governments across New Jersey have opted to switch to the state health plan in order to save money on their health insurance coverage.

**During FY 2012,  
Audit Division  
reports identified  
tens of millions of  
dollars in projected  
public savings.**



### ***Audit of Department of Human Services – New Jersey Child Care Assistance Program***

This audit found the state overpaid state-funded child care providers and failed to remove ineligible participants from the state's child care assistance program. According to OSC's findings, the state overpaid child care providers for one out of every six children sampled in the audit, indicating that total program overpayments could amount to millions of dollars. The overpayments were made for a variety of reasons, from overstated attendance figures to simple math errors.

By comparing income information set forth on program applications to state income tax returns, the audit found that 15 percent of the sampled program participants actually are ineligible for state child care assistance based on their true income. The finding indicates that there could be more than 4,000 ineligible children receiving this child care assistance statewide. Meanwhile, approximately 8,000 children are on the program's waiting list.

Additionally, the audit found that for 10 percent of the state subsidies paid to sampled child care providers, the providers were not able to produce to OSC the required documentation establishing that the children at issue were actually in attendance at the facility on the days in question. If that finding holds true for the entire program population, the state could be paying more than \$6 million annually in subsidy payments not supported by attendance documentation.

Furthermore, program caseworkers at referral agencies had entered the Social Security number "999-99-9999" into the state database for 71 children in the program, calling into question whether these children actually have Social Security numbers, which are required to establish citizenship or permanent

residency and obtain entry into the program. OSC further identified 3,795 additional children participating in other Division of Family Development programs with similar requirements who had "999-99-9999" entered as their Social Security number. In federal fiscal years 2010 and 2011, cumulative program payments made on behalf of these children totaled \$13.9 million.

Overall, the audit projected that more than \$10 million in annual cost savings would result from implementation of the audit's recommendations.

### **Planning and Analysis Unit**

The Audit Division's Planning and Analysis Unit consists of a team of social science researchers who perform preliminary evaluations and make recommendations regarding potential audits. Upon engaging an audit, members of the Planning and Analysis Unit may accompany the audit team into the field to collect, document and analyze data for the audit.



State Comptroller Matthew Boxer delivered the keynote address at the Citizens Campaign Call to Service Summit in May 2012 and suggested questions for residents to ask their local officials in order to hold them accountable to taxpayers.

The unit also produces non-audit research reports designed to shed light on specific policy issues. These reports have focused on a variety of significant topics in an attempt to develop legislative and other programmatic proposals to save tax dollars. The work of the Planning and Analysis Unit in FY 2012 included the following projects.

### ***Analysis of Compensation Provided to New Jersey's Community College Presidents***

This OSC report documented the various hidden perks and benefits that have padded the compensation of New Jersey's community college presidents. OSC specifically found that New Jersey's community colleges compensated their presidents with items such as relocation costs for an incoming president's pet, housing allowances that reached as high as \$3,500 a month and annual retirement contributions that in one case were more than 14 times the amount required by state statute. The report also found that the compensation of community college presidents varies greatly from one institution to the next, and the report called for the state to establish compensation guidelines.

In total, the report found that the average total payments to or on behalf of New Jersey's community college presidents exceeded \$250,000 a year. Other expenses detailed in the report included perks such as country club memberships, airfare for spouses to travel to conventions and credit card purchases for \$100-per-person meals.

### ***New Jersey State Police - Review of Professional Standards***

As required by state law, OSC periodically reviews the performance of the New Jersey State Police in its

efforts to prevent racial and other forms of discrimination in its policies, practices and procedures. OSC has so far conducted two such reviews, both of which found that the State Police are continuing to comply with professional standards concerning racial profiling.

The reviews also uncovered deficiencies, however. For example, in FY 2012 an OSC review found that allegations of trooper misconduct needed to be investigated in a more timely manner and recommended that disciplinary guidelines should be implemented to ensure consistency, fairness and transparency in the trooper discipline process. OSC's previous review had focused on the State Police Training Bureau and the state's transition away from federal monitoring of State Police practices.

**New Jersey's community colleges compensated their presidents with items such as relocation costs for an incoming president's pet.**

### ***Review of New Jersey's Sex Offender Internet Registry***

In FY 2012, the Planning and Analysis Unit also conducted a review of New Jersey's Sex Offender Internet Registry, which is administered by the New Jersey State Police to provide the public with information concerning the whereabouts of convicted sex offenders. OSC's review sampled a group of county prosecutor's offices to determine if those offices were providing relevant information to the New Jersey State Police in an accurate manner and were complying with other guidelines of the statute that authorized the internet registry. In general, the review found that the sampled counties were properly fulfilling their duties in this regard.

### **Information Technology Auditing**

OSC's Audit Division also includes information technology (IT) specialists whose role includes

implementing and maintaining OSC's IT infrastructure, including the Audit Division's electronic work paper software. The IT audit group is an important part of every audit we engage, offering their expertise on a range of issues, from providing technical assistance to providing evaluations of the IT operations of the entity being audited. The IT audit group assists in pre-planning work for upcoming audits and provides training to OSC staff in computer hardware, software and other IT-related audit topics. The IT audit group also assists other OSC divisions in areas such as work-flow reporting.

In addition, the IT group spearheads its own audit projects. In FY 2012, the National State Auditors Association (NSAA) awarded the New Jersey Office of the State Comptroller its Excellence in Accountability Award for an IT audit that found that state agencies had failed to remove confidential information from state computers packaged for public auction. Only the intervention of OSC's IT auditors prevented the unlawful disclosure of Social Security numbers, confidential health records and child abuse documents. Four offices nationwide were chosen for this NSAA award. Following the issuance of the audit, in January 2012 New Jersey Governor Chris Christie signed into law a bill making a series of changes to the manner in which the state disposes of its surplus computer equipment.

OSC's IT audit group also organized a forum in FY 2012 providing an opportunity for counties that have adopted shared services initiatives to share their experiences with information technology directors from each of the 21 counties in New Jersey. The forum highlighted best practices that are being used to share information technology services in order to reduce public costs.

## **Follow-Up Reports and Progress Updates**

OSC obtains corrective action plans from each entity we audit to ensure proper implementation of our audit recommendations. OSC subsequently conducts on-site follow-up reviews to determine compliance with those corrective action plans.

During FY 2012 we issued a follow-up report concerning an earlier audit of the state's Division of Developmental Disabilities (DDD). The follow-up review documented millions of dollars in recoveries the state had obtained stemming from recommendations contained in the initial OSC audit. For example, the original audit had found that a DDD service provider had been reimbursed for a series of inappropriate expenditures, including reimbursements for cruises to the Mediterranean and Caribbean taken by the provider's management, staff and DDD clients. DDD ultimately determined that the service provider was responsible for returning \$353,000 of those expenses. The state recovered the money by withholding funds from future contract payments.



The National State Auditors Association presented the Office of the State Comptroller with its Excellence in Accountability Award in June 2012 for an audit that found confidential data on nearly a third of the state computers set to be auctioned from the state's surplus property warehouse.

OSC's follow-up review also found that DDD collected nearly \$18 million by addressing an OSC recommendation to perform closeouts of expired contracts. DDD also tightened its travel expenditure policy and strengthened its monitoring of contracts in response to the initial audit. In all, by the time of the follow-up review DDD had fully implemented seven of the nine recommendations from the OSC audit and had partially implemented the other two recommendations.

OSC's Audit Division also issued a follow-up report in FY 2012 concerning its earlier audit of the Township of Irvington. The follow-up review found that the township has implemented or partially implemented 17 of the 21 recommendations set forth in the initial OSC audit. For example, the township has implemented an audit recommendation to switch to a more economical cell phone plan, resulting in public savings of approximately \$66,000 per year.

FY 2012 also saw progress concerning recommendations from a number of other past OSC reports. The following are some examples:

- **Elimination of clothing allowances for state workers who do not wear specialized clothing.** The state entered into new collective bargaining agreements that will save taxpayers nearly \$3 million annually by setting new restrictions significantly reducing the number of employees eligible to receive a clothing allowance, while also lowering the amount of the state-funded stipend. The change came in response to an OSC report that showed the state had spent \$3.2 million each year on clothing allowances for state employees who are not required to wear uniforms or specialized work clothing. The OSC report also found that the amount of New Jersey's clothing allowance was far more

generous than what is provided in other states.

- **Legislative adoption of on-line transparency requirements for government entities.** New legislation was enacted to codify each of the recommendations in an OSC report that called for greater on-line transparency from all public entities in New Jersey. As recommended by OSC, the new law requires all public entities to maintain a website that includes relevant financial reports and information about their public meetings. OSC's report had looked at nearly 600 local public entities in New Jersey and found that a third of those government units did not operate a website at all, while 92 percent failed to post information about their public meetings and 97 percent failed to post relevant financial reports.
- **Improved safeguards for the disposition of state computers.** New legislation was enacted in FY 2012 to reform the state's surplus equipment practices in response to an OSC audit that found confidential data on nearly a third of the state computers set to be auctioned from the state's surplus property warehouse.
- **Greater focus on the use and impact of tax abatements.** A gubernatorial executive order establishing an education task force cited OSC's tax abatement report in directing the task force to study the impact of tax abatements on school funding. The OSC report had concluded that New Jersey's local tax abatement program is pulling critical funding away from school districts, leaving state taxpayers to pick up the costs.

In FY 2013, OSC will issue follow-up reports concerning other previous OSC audits, and we will continue to monitor the steps being taken by all public entities that we audit to ensure that our recommendations are implemented in an appropriate timeframe.

### Guidance

In FY 2012, OSC's Audit Division also continued its ongoing efforts to provide helpful guidance and training to government officials throughout the state. For example, the Audit Division produced an Internal Controls guide, to be utilized by all New Jersey state departments and authorities as well as units of local government, to assist in establishing and maintaining an effective internal control system. The guide provides information on setting up an appropriate organizational structure, conducting risk assessments, ensuring proper segregation of duties, and other essential elements necessary for the design of an effective internal control system.

### Audits for Fiscal Year 2013

Pending OSC audit work ensures that FY 2013 will be as productive and significant for the office as previous years. Our staff is working throughout the state on a number of audits that are at various stages of completion.

For example, these include audits of:

- fiscal and operating practices of various local and state agencies as well as government vendors.
- cost savings opportunities at selected school districts; and
- fiscal and operating practices of selected fire districts.

Collectively, these audits provide the broad spectrum of audit coverage called for by OSC's enabling legislation.

#### **AUDIT DIVISION - *BY THE NUMBERS***

**15** - Percent of participants in state-funded child care assistance program who actually are ineligible for assistance based on their true income.

**20** - Local governments that opted to switch to state health insurance plan after OSC report detailing potential savings following such a change.

**3,795** - Total number of participants in Division of Family Development programs who did not provide a valid Social Security number when applying for state assistance.

**\$250,000** - Average annual compensation paid to New Jersey community college presidents including perks and other benefits.

**\$353,000** - Total amount of payment returned to Division of Developmental Disabilities by service provider after OSC report detailing inappropriate billings.

**\$3 million** - Approximate savings resulting from changes in state contracts with employee unions that were made in response to OSC report that found the state had been paying clothing allowances for employees who are not actually required to wear uniforms at work.



# INVESTIGATIONS DIVISION

OSC's Investigations Division works to detect and uncover fraud, waste and misconduct involving the management of public funds and the performance of government officers, employees and programs.

The division consists of a staff of investigators and attorneys, including former federal and state law enforcement officials from agencies such as the Federal Bureau of Investigation, the United States Postal Inspection Service and the New Jersey State Police.

OSC's investigators field and review all tips, referrals and allegations provided to OSC. Those tips come both from the general public and from government employees, and are received through OSC's toll-free hotline, via e-mail or through the mail. Each tip is assigned to a specific investigator who reviews the information provided to determine whether further action is warranted from this office or from another government agency.

In FY 2012, the Investigations Division fielded 378 tips, the highest amount the office has ever received in a single year. The tips led to 67 referrals to other agencies. For example, the Investigations Division received and sent referrals to and from agencies such as the New Jersey State Police, the Attorney General's Office, the Division of Taxation and the Department of Education. These joint efforts continue to build a synergy that provides for an increasingly robust investigative effort across state government.

Many of the tips and referrals OSC receives lead to OSC audits and investigative reports. The Investigative Division itself produced the following public reports in FY 2012:

**Delaware River Port Authority (DRPA)** - This report found ineffective oversight and weak policies had led to a culture at the DRPA in which tollpayer dollars repeatedly were wasted and mismanaged. For example, the report detailed a wasteful scheme to share more than \$1 million in DRPA insurance policy commissions among a number of insurance brokers, some of whom performed little or no work for that money. It also cast a light on abusive expenditures of toll dollars for questionable civic causes with direct links to DRPA commissioners; E-Z Pass abuse that extended not only to DRPA employees but to friends, family and business associates of DRPA officials;

**OSC's report found ineffective oversight and weak policies had led to a culture at the DRPA in which tollpayer dollars repeatedly were wasted and mismanaged.**

reimbursement of expenses that violated DRPA policies; and DRPA's borrowing of hundreds of millions of dollars to fund economic development projects unrelated to DRPA bridges or other capital assets, an act that violated the DRPA charter.

Following the report, the DRPA ended the commission sharing arrangement and replaced the two brokers involved after conducting an open bidding process for its insurance services. DRPA officials estimate that the hiring of the new brokers will save the agency \$487,435 a year. DRPA also terminated some of the programs associated with OSC's findings and corrected a number of other deficiencies identified in the OSC report.

**Tax Assessments in the Borough of Edgewater** - This report found the tax assessor for the Borough of Edgewater inappropriately had reduced the assessed value of more than a hundred condominiums owned by the same wealthy developer, operating without documentation to grant reductions that more than

tripled the tax reductions provided to other owners of identical units in the same complex. The assessed values of the developer-owned units later were raised back to market value after the developer sold the units. In total, the Edgewater tax assessor granted assessment reductions that handed the developer an estimated \$472,000 in disproportionate and inappropriate tax savings. The OSC investigation also raised broader concerns that municipal tax assessors are able to significantly and unfairly alter tax assessments without detection. The report made a series of recommendations designed to rectify those systemic deficiencies.

**Division of Disability Services (DDS)** - This investigation determined that a fiscal manager at DDS had inappropriately used the identification and password of another DDS employee in order to process DDS voucher payments to a third party. The investigation had been commenced by the former Office of the Inspector General, whose jurisdiction was later transferred to OSC by statute. OSC's investigators found that the fiscal manager did not misuse the password for personal gain. However, the manager's ability to circumvent DDS' internal controls revealed a control environment susceptible to abuse. As a result of the investigation, DDS has instituted more stringent oversight concerning its voucher payment process.

Other OSC investigations are resolved simply through a letter or phone call to the public entity involved. For example, OSC investigators determined that current and former administrators at the **Freehold Regional High School District** had inappropriately received raises and tuition reimbursements for degrees received by an unaccredited on-line school. In response, OSC officials held a conference call with members of the district's Board of Education and advised them to seek repayment from the administrators OSC had

identified. The school board adopted OSC's recommendations and is in the process of recouping the funds.

The Investigations Division also serves as a key resource for OSC's other divisions by helping to conduct witness interviews, helping to identify potential subjects for audits, and utilizing a variety of investigative tools to assess and document relevant facts. For example, this past fiscal year the Investigations Division played an integral role in the previously mentioned reports concerning the compensation provided to community college presidents and the review of professional standards at the New Jersey State Police.

#### INVESTIGATIONS DIVISION - *BY THE NUMBERS*

**67** - Referrals made by OSC investigators to state and federal law enforcement and other agencies in FY 2012.

**378** - Tips fielded by OSC's Investigations Division.

**\$472,000** - Amount of disproportionate and inappropriate tax savings granted to one wealthy developer by Borough of Edgewater tax assessor, according to OSC report.

**\$487,435** - Annual savings derived after the Delaware River Port Authority eliminated a wasteful commission sharing arrangement and instead hired its insurance brokers through a competitive selection process.



# MEDICAID FRAUD DIVISION

OSC's Medicaid Fraud Division (MFD) serves as the state's independent watchdog for New Jersey's various Medicaid programs and works to ensure that the state's Medicaid dollars are being spent effectively and efficiently.

As part of its oversight role, MFD recovers improperly expended Medicaid funds, reviews the quality of care provided to Medicaid recipients and pursues civil and administrative enforcement actions against those who engage in fraud, waste or abuse within the Medicaid program. MFD also excludes or terminates ineligible health care providers from the Medicaid program where necessary. Finally, MFD conducts educational programs for Medicaid providers and contractors.

In FY 2012, MFD recovered \$102,360,669 in improperly paid Medicaid funds, which were returned to both the state and federal budgets. In addition, an estimated \$402 million in other potential Medicaid expenses were avoided through MFD's proactive anti-fraud efforts. MFD excluded 80 ineligible providers from participating in the Medicaid program.

The division is led by director Mark Anderson, a former auditor and Assistant United States Attorney. As a recognized expert in the area of Medicaid fraud, Mr. Anderson has testified at legislative proceedings concerning Medicaid issues and has been a featured speaker at numerous Medicaid-related conferences.

Operating under the authority of the Medicaid Program Integrity and Protection Act, MFD provides oversight concerning the following programs:

- New Jersey's Medicaid program, which provides health insurance to qualifying parents and caretakers and their dependent

children, along with pregnant women and individuals who are aged, blind or disabled. The program pays, for example, for hospital services, doctor visits, prescriptions, nursing home care and other health care needs.

- New Jersey FamilyCare, a Medicaid program for uninsured children whose family income is too high to qualify for traditional Medicaid but not high enough for the family to afford private health insurance. Combined, the Medicaid and New Jersey FamilyCare programs serve more than one million New Jersey residents.
- The New Jersey Hospital Care Payment Assistance Program, commonly known as Charity Care, which provides free or reduced-charge care to patients who require care at New Jersey hospitals.

MFD's oversight focuses on Medicaid providers, managed care organizations and Medicaid recipients, while coordinating oversight efforts among all state agencies that administer Medicaid program services.

MFD consists of three units: Fiscal Integrity, Investigations and Regulatory. Each of those units will be discussed in turn.

**If you suspect Medicaid  
fraud or abuse in  
New Jersey:**

**Call toll free: 1-888-937-2835  
or visit:**

**[www.state.nj.us/comptroller/  
divisions/medicaid](http://www.state.nj.us/comptroller/divisions/medicaid)**

## **Fiscal Integrity Unit**

The Fiscal Integrity Unit focuses on data mining, audits, recoveries and exclusions, and liability of third parties for expenses improperly paid by the Medicaid program.

### ***Data Mining***

MFD's data mining group typically is involved at the initial steps of the process leading to the recovery of improperly paid Medicaid dollars. The unit employs a variety of sophisticated techniques to detect anomalous or abnormal Medicaid claims submitted by providers. Its findings often lead to MFD audits and investigations.

In order to identify patterns of anomalous Medicaid reimbursements, OSC's data miners review Medicaid fraud reports and investigations from other states and work with a range of additional sources to acquire pertinent data. The data mining group also monitors the Surveillance and Utilization Review System, a federally mandated claims processing system, for indications of fraud and abuse and to detect duplicate, inconsistent or excessive claim payments.

In total, MFD's data mining group referred 42 cases of anomalous claims behavior to MFD's audit and investigations units in FY 2012.

For example, one data review identified that a wheelchair equipment provider, **Schwarz Medical**, had billed claims using improper procedure codes. The improper codes allowed for greater reimbursements than should have been allowed. The data mining unit's findings led to an MFD audit that ultimately determined that Medicaid paid \$215,432 for claims that Schwarz Medical could not validate. The amount, when extrapolated over the period audited, resulted in a total Medicaid overpayment of

\$1,481,617, which MFD is now in the process of recovering.

The audit findings also highlighted the need for enhancements of the internal controls at the state's primary Medicaid agency, the Division of Medical Assistance and Health Services (DMAHS). The audit called for an array of upgrades to DMAHS' computer system and the establishment of a standard payment methodology for specialized equipment providers. OSC estimates that such internal control enhancements could lead to a cost savings of approximately \$230,000 per year related to billings from this one company alone.

### ***Audits***

In FY 2012, MFD conducted audits of a wide range of health care organizations, including nursing homes, medical equipment providers, hospice providers, a managed care organization and a federally qualified health center. Such audits are conducted to ensure that Medicaid providers comply with program requirements, to identify improper billings submitted by Medicaid providers, and to deter fraud, waste and abuse in the Medicaid program.

For example, MFD conducted an audit of **Horizon NJ Health** (HNJH), the largest of the state's four Medicaid managed care organizations (MCOs). The audit looked specifically at HNJH's Special Investigations Unit and found that it had done a poor job of pursuing and reporting fraud and abuse recoveries that would lower the insurance costs paid by the state. According to the audit, HNJH recovered only \$188,207 in improper Medicaid payments to its network providers and enrollees in 2009 and 2010. Those recoveries represented less than one-tenth of one percent of the \$1.3 billion HNJH receives annually from the state.

The audit also found HNJH had actively investigated only nine health care providers during the two-year period reviewed and had obtained a total of five recoveries of improper Medicaid payments. Only 14.1 percent of those recoveries were actually reported to the state as required. This underreporting of recoveries results in the state paying an artificially high premium rate to HNJH and the other three Medicaid MCOs with whom the state contracts. Specifically, as a result of the underreporting, the state overpaid \$161,666 in premiums. MFD has since recovered these funds.

**In FY 2012, MFD excluded 80 providers, a 45 percent increase from the previous fiscal year.**

MFD's audit group, working with other MFD personnel, also oversees, reviews and coordinates audit work performed by other entities that have contracted with the state to audit specific types of providers. For example, the Affordable Care Act requires each state's Medicaid program to contract with Recovery Audit Contractors to identify and recoup overpayments to Medicaid providers. MFD oversees the contract with these external auditors, coordinates the audits and reviews the audit findings. In total, in FY 2012 MFD oversaw the recovery of more than \$4 million in overpayments that were identified by these outside contractors.

### ***Recoveries and Exclusions***

Our Recoveries and Exclusions group (R&E) recovers overpayments that are identified by MFD's auditors and investigators and determines when to exclude a Medicaid provider from the Medicaid program. In cases of intentional fraud, R&E may also assess penalties against a provider.

Once MFD identifies overpayments to be recovered, R&E sends out appropriate notices, recovers the money from providers and recipients on behalf of the state, and works with federal authorities to ensure that

the federal government receives its share of any recovery. In instances where R&E cannot resolve an overpayment through a settlement, MFD will take administrative action against the provider or recipient.

Providers can be excluded from participating in the Medicaid program for numerous reasons including criminal convictions, exclusions by another state or the federal government or adverse action taken by a licensing board. Providers can be excluded for a set number of years, or, in some cases, until they provide sufficient evidence supporting reinstatement. Actions taken against these individuals are part of an ongoing OSC effort to ensure that only those medical providers who maintain the highest integrity may participate in the Medicaid program.

In FY 2012, MFD excluded 80 providers, a 45 percent increase from the previous fiscal year. Among them, for example, was a provider convicted of selling a controlled substance to an undercover police officer.

### ***Third Party Liability***

Under federal law, if a Medicaid recipient has other insurance coverage Medicaid is responsible for paying medical benefits only in cases where the other coverage has been exhausted or does not cover the service at issue. Thus, a significant amount of the state's Medicaid recoveries are the result of MFD's efforts to obtain payments from third-party insurers responsible for services that were inappropriately paid with Medicaid funds. MFD's Third Party Liability group, working with an outside vendor, seeks to determine whether Medicaid recipients have other insurance and recovers money from those private insurers in cases where Medicaid has paid claims for which the private insurer was responsible.

## Investigations Unit

MFD's Investigations Unit is charged with investigating inappropriate conduct on the part of Medicaid, FamilyCare and Charity Care providers and recipients. In FY 2012, the Investigations Unit opened 441 cases and made 53 referrals to other agencies such as the Attorney General's Medicaid Fraud Control Unit and various county boards of social services and county prosecutors' offices. Cases handled by the Investigations Unit included cases involving allegations of fraud committed by Medicaid recipients, provider billings for services not rendered and issues regarding Medicaid eligibility.

For example, OSC filed an administrative action against **Shapiro's Shoes**, a Camden shoe store that allegedly misclassified hundreds of name-brand shoes, such as Nike sneakers and Timberland boots, as orthopedic footwear in order to collect reimbursements from Medicaid. OSC reviewed more than 300 reimbursement claims from the shoe store and found that each claim lacked appropriate supporting documentation, resulting in Medicaid overpayments. In fact, Medicaid recipients were receiving this footwear without being measured for orthotics in accordance with recognized industry standards. An on-site visit by OSC investigators found that the store did not even keep orthopedic shoes in stock, nor did it have the equipment required to fit patients for orthopedic shoes. As a result, MFD is seeking recoveries of \$2,540,430 from this provider.

Similarly, a review of patient files at **Cavalier Senior Care, Inc.** (Cavalier), a home health care provider located in Barnegat, found numerous errors that pointed to Medicaid overbillings, including a lack of documentation for many of the claims submitted. In addition, Cavalier billed for more hours than its home

health aides actually certified on their weekly activity reports. MFD is seeking recovery from Cavalier in the amount of \$137,926.20 plus interest for the undocumented and/or incorrectly billed services.

MFD investigators receive allegations of fraud and waste from many sources including MFD's hotline and website as well as from other state and federal agencies. MFD received 597 such tips in FY 2012.

Another key role of the Investigations Unit is to coordinate with the U.S. Attorney's Office and the Office of the Attorney General on Medicaid-related whistleblower cases filed under the federal and New Jersey false claims acts. In FY 2012, \$8.77 million was recovered in these types of cases.

MFD investigators also worked in FY 2012 with the Office of the Attorney General on two cases that led to criminal convictions of three individuals who had been indicted for knowingly committing health care claims fraud by billing Medicaid for prescriptions that were never dispensed.

To ensure the integrity of the Medicaid program's enrollment process, the Investigations Unit also conducts background checks of providers applying to participate in the program. In FY 2012, the Investigations Unit received 183 such applications from pharmacies, medical equipment providers, adult medical day care centers, physicians and others. The unit has thus far denied seven of those applications based on a number of concerns, including: licensing actions pending against the applicant; failing to disclose required information on the application; pending criminal proceedings involving the applicant; and applications filed on behalf of non-operational entities.

**In FY 2012, the work of the Investigations Unit resulted in the recovery of \$8,380,410 in misspent Medicaid funds.**

The Investigations Unit also conducts pre-enrollment and post-enrollment site visits of Medicaid providers. During those site visits, MFD investigators verify that the applying entity is actually in existence, that it is in compliance with state and federal requirements and that the information supplied on provider applications is accurate.

In FY 2012, the work of the Investigations Unit resulted in the recovery of \$8,380,410 in misspent Medicaid funds.

### **Regulatory Unit**

In addition to returning Medicaid dollars back to the state through monetary recoveries, MFD also works with other state departments to propose new Medicaid program regulations designed to improve program integrity. MFD's Regulatory Unit consists of licensed attorneys who provide such administrative guidance to other state departments while working with those departments to develop changes that strengthen Medicaid rules. The unit's regulatory officers also appear before the Office of Administrative Law on behalf of MFD in contested Medicaid fraud cases such as the cases described above.

#### **MEDICAID FRAUD DIVISION - *BY THE NUMBERS***

**53** - Referrals made by MFD to state and federal law enforcement and other agencies.

**80** - Number of Medicaid providers excluded from the Medicaid program by OSC in FY 2012.

**\$102 million** - Total MFD recoveries for taxpayers in FY 2012.

**\$402 million** - Potential Medicaid expenses that were avoided through MFD's proactive anti-fraud efforts.

# PROCUREMENT DIVISION

OSC's Procurement Division, staffed by attorneys specializing in public contract law, fulfills the office's statutory mandate to review public agency procurements exceeding \$2 million. In addition to reviewing contracts, the attorneys of the Procurement Division work with OSC's audit teams and provide legal guidance concerning the many legal issues that arise during the course of an audit.

The division is led by Dorothy Donnelly, a former Assistant United States Attorney in the Civil Division of the District of New Jersey, who has litigated and counseled government agencies regarding contract matters for more than 20 years.

As prescribed by statute, the Procurement Division pre-screens the legality of the proposed vendor selection process for all government contracts exceeding \$10 million and has post-award oversight responsibilities for such contracts exceeding \$2 million. OSC's procurement reviews cover contracts awarded by municipalities, school districts, colleges, and state authorities and departments, as well as other public boards and commissions with contracting authority.

Regulations promulgated by OSC assist public entities in determining whether OSC review is required for a particular contract and provide guidance as to how OSC reviews are conducted. Procurements subject to OSC review include a wide range of contracts including land sales, leases, purchases of goods or services and grant agreements.

For contracts exceeding \$10 million, the Procurement Division works closely with government entities as they formulate specifications, intervening when

necessary to achieve procurements that comply with all applicable laws, regulations and rules. Errors are corrected before the contract advertisement takes place.

The review of contracts valued at more than \$10 million begins with judging the appropriateness of the vendor-selection procedure proposed by the contracting unit. The reviewing attorney assesses, for example, whether the procurement requires sealed

bids or whether other contracting procedures are appropriate. The reviewer further determines whether the government unit has followed all other statutes, rules and regulations applicable to the procurement. Additional questions asked include: Has the governing body, department or authority approved the procurement? Are the specifications designed to

ensure a competitive process? Is the method of advertisement appropriate?

For contracts exceeding \$10 million, the contracting unit must submit appropriate notification to OSC thirty days before advertising or otherwise entering into a contract. On occasion, contracting units request flexibility in that time period. Accordingly, OSC has set forth a procedure through which government entities can seek a waiver of the 30-day time frame. OSC works closely with contracting units needing such a waiver to ensure that contract solicitations can be made in a timely manner.

Contracts exceeding \$2 million, including \$10 million contracts previously submitted for pre-approval, are examined post-award. The focus post-award remains on compliance with laws and regulations. In addition,

**OSC's procurement reviews cover contracts awarded by municipalities, school districts, colleges, and state authorities and departments.**



a determination is made as to whether the award followed the guidelines set forth in the solicitation. For example: Did the lowest bidder get the award in a sealed bid determination that appropriately considered alternates? Did the governing body approve and certify funding for the contract? Are the records submitted sufficient to justify the governing body's action? Is there any evidence of collusion or bid rigging?

To ensure that OSC's contract reviews result in better contracting processes in both the short and long terms, the Procurement Division consults directly with contracting units during and following reviews. Depending upon the nature of the review and any deficiency noted, the Procurement Division might hold an exit interview, prepare a written determination or simply provide oral advice to the contracting unit. In cases involving serious deficiencies, OSC may refer contracts for audit review or further civil or administrative action, such as actions to terminate or debar contractors or to recover monies expended. Criminal activity is referred to appropriate law enforcement authorities.

In FY 2012, the Procurement Division received notice of 611 public contracts exceeding \$2 million. Of those, 164 contracts were valued at more than \$10 million and were pre-screened. OSC attorneys found significant errors in approximately 23 percent of those pre-screened contracts and took action in those cases to assist the public entity in correcting the errors in its procurement process. Additional contracts contained minor or typographical errors such as setting forth incorrect legal citations in contracting paperwork or using an older version of a required document.

The remaining 447 contracts were valued at between \$2 million and \$10 million. In these contracts, the

Procurement Division found a 20 percent error rate. Relative to last year's findings, the lower error rates this year are an indication that governmental contracting practices are improving, although they remain far from acceptable.

The most frequent error OSC encountered involved the use of specifications of a proprietary nature. Proprietary specifications require bidders to provide particular brand name items without adequate reason and without permitting an opportunity to use an equivalent item. Such specifications work to deny the opportunity for an open competition among suppliers and bidders, which has detrimental consequences in terms of the price the government agency ultimately pays for the item in question. In a few instances the specifications OSC reviewed not only required brand name items, but further directed the bidder to a particular vendor selling those items.

Other errors identified by OSC included municipalities interviewing bidders in low bid situations, which is not legally permitted. Under the law, if a bid does not respond to the specifications it must be rejected, and may not be further explained or supplemented. In other competitive contracting situations, such interviews are permitted to clarify but not supplement proposals, yet we found a number of instances in which schools or municipalities attempted to negotiate price during interviews.

Through its contract reviews, the Procurement Division also has urged public entities to include standard terms and conditions as a protective measure in their requests for proposals (RFPs) or invitations for bid (IFBs), especially with technology contracts. Some vendors have been responding to RFPs or IFBs with service agreements or terms and conditions that

**OSC attorneys found significant errors in approximately 23 percent of the pre-screened contracts and took action in those cases to assist the public entity in correcting the errors in its procurement process.**



are incompatible with the law or incompatible with the public entity's specifications, in a manner that could compromise the public entity's legal rights and remedies. For example, vendors have submitted terms that required the payment of large dollar amounts as a penalty for contract termination. Under the law, such terms require the public entity to reject the bid.

On occasion, circumstances may require a more extensive OSC review of a contract, including the events leading up to or following contract execution. One such OSC review identified improper billings made by the borough attorney to the **Borough of Ridgefield**. As a result of this OSC review, Ridgefield recovered \$105,000 from its attorney this past year.

The Procurement Division also periodically publishes reports issuing guidance to public entities in order to highlight common deficiencies in the procuring of goods and services. For example, in FY 2012, the division produced a **report detailing significant weaknesses in New Jersey's Pay-to-Play law** that had allowed public entities to easily navigate around the law's restrictions.

Relying on evidence gathered from more than a thousand contract reviews, the report illustrated how a series of fatal flaws have essentially rendered New Jersey's Pay-to-Play law meaningless in the effort to prevent local governments from steering contracts to politically favored vendors. The report examined an exception to the Pay-to-Play law that allows local governments to award contracts to campaign donors with virtually unlimited discretion as long as the local government uses what the law defines as a "fair and open" process. The report found that "fair and open" requirements present few if any real obstacles to government entities seeking to reward politically favored vendors with government contracts. Among

the more startling weaknesses the report uncovered is that public entities seeking a "fair and open" exemption from the Pay-to-Play law are able to act as the sole arbiter in deciding whether the entity qualifies for the exemption.

Following the release of the report, several public entities took action to strengthen their local Pay-to-Play ordinances and remove the "fair and open" exemption. One of those entities was Bergen County, which prompted the good-government group Bergen Grassroots to honor OSC with its Byron N. Baer Memorial Award for Public Service.

#### PROCUREMENT DIVISION - *BY THE NUMBERS*

**23** - Percent of contracts pre-screened by OSC that included significant errors that were corrected through the intervention of OSC attorneys.

**611** - Public contracts submitted to OSC for pre-screening or review in FY 2012.

**\$105,000** - Amount recovered by Borough of Ridgefield after OSC notified the borough of improper billings by its attorney.

# POLICIES, PROCEDURES AND PUBLIC OUTREACH

Our efforts at OSC over the last year have included continuing to refine the policies and procedures that guide our audit, investigative and related processes. The following are descriptions of some of the policies and procedures we have put into effect.

## Audit Manual

For professional audit organizations such as ours, it is essential that clearly defined policies be promulgated to provide audit guidance and to ensure the quality and consistency of the audit work performed. To that end, we developed an Audit Manual to serve as the authoritative compilation of the professional auditing practices, policies, standards and requirements for OSC staff. Our Audit Manual is a constantly evolving document that is revised as standards are amended and other changes in the auditing profession occur.

## Audit Process Brochure

Open communication concerning the audit process lets the auditee know up front what to expect. With that in mind, OSC developed a brochure entitled “The Audit Process,” outlining the critical components of an audit from initiation to completion. This brochure is provided to the auditee prior to the start of an audit and also is posted on our website.

## Risk/Priority Evaluation

OSC’s enabling legislation requires us to “establish objective criteria for undertaking performance and other reviews authorized by this act.” Accordingly, OSC developed a risk/priority evaluation matrix that considers a number of risk factors, including: the

entity’s past performance, size of budget, whether the program is a new one, management turnover, indications of fraud or abuse, and referrals or recommendations from other government agencies. OSC staff conducts research along these parameters and assesses risk associated with each applicable factor as high, medium or low, resulting in a determination of audit priority.

## Quality Control and Peer Review

Government auditing standards require audit organizations to establish an internal quality control system and to participate in an external quality control “peer review” program. The internal quality control system provides the organization with ongoing assurance that its policies, procedures and standards are adequate and are being followed. The external peer review, to be conducted once every three years, provides independent verification that the internal quality control system is in place and operating effectively and that the organization is conducting its work in accordance with appropriate standards.

OSC participated in its first peer review in June 2011. The review was a successful one. The external review team concluded that OSC’s system for quality control has been “suitably designed and complied with” government auditing standards.

## Audit Coordination

OSC’s enabling legislation requires the State Comptroller to establish a system of coordination with other state entities responsible for conducting audits, investigations and similar reviews. This system serves to avoid duplication and fragmentation of efforts while optimizing the use of resources,

promoting effective working relationships and avoiding the unnecessary expenditure of public funds. We continue to work closely with both state and federal audit and law enforcement officials in this regard.

### **Training**

Audits conducted by OSC's Audit Division comply with Generally Accepted Government Auditing Standards (GAGAS). Auditors performing work under GAGAS are required to maintain their professional competence through Continuing Professional Education (CPE). Specifically, every two years they must complete at least 80 hours of CPE, 24 of which must directly relate to government auditing, the government environment, or the specific or unique environment in which the audited entity operates. OSC is recognized by the National Association of State Boards of Accountancy as a CPE sponsor. This year our staff received formal training on topics such as governmental accounting, audit sampling and documentation, and internal controls. All staff members in the Audit Division satisfied the biennial requirement of obtaining 80 CPEs over the reporting period.

### **Promulgating Regulations**

OSC also has promulgated regulations to explain the organization and function of the office and the reporting requirements for government entities subject to its oversight. Those rules provide auditees with an understanding of the audit process and explain what documents and information government entities must provide to the Procurement Division if they enter into contracts valued at \$2 million or more. The rules are aimed at providing government entities with a clear understanding of OSC's mission and processes.

### **Public Outreach**

In FY 2012, Comptroller Boxer served as a featured speaker before a wide range of organizations to discuss the lessons and best practices gleaned from various OSC audits and reports, provide information about OSC's policies and procedures, and seek input from the public.

Those organizations included, for example, the Government Finance Officers Association of New Jersey, the New Jersey State League of Municipalities, the New Jersey Society of Certified Public Accountants and the New Jersey Municipal Managers Association.

Some of these speaking engagements focused on specific issues, such as a League of Municipalities session on tax abatements, a session on government procurement at the New Jersey Digital Government Summit and a forum on New Jersey's Pay-to-Play law sponsored by the Center for Government Services. Other engagements covered a wide range of topics, such as a Call to Service Summit sponsored by the Citizens Campaign at which Comptroller Boxer spoke to citizen activists about questions they can ask of their local officials to hold them accountable to taxpayers. These speaking engagements typically included extensive question and answer sessions that allow for feedback from the public and, in some cases, generated tips for the office to pursue.

In addition, Comptroller Boxer appeared this year as an in-studio guest on multiple television programs to discuss various OSC reports. He also conducted interviews with virtually every major print and radio media outlet in the New Jersey region. This dialogue serves to provide information to the public while also acting as a deterrent to potential bad actors in New Jersey government.

# HEADLINES

THE WALL STREET JOURNAL

WSJ.com

FEBRUARY 28, 2012, 6:01 PM ET

## Report: N.J. Municipalities Overpay for Health Insurance



Everything Jersey

### N.J. Comptroller: Pay-to-play law is 'fair and open in name only'

Published: Friday, September 16, 2011, 10:46 AM Updated: Friday, September 16, 2011, 10:46 AM



Star-Ledger Staff

By



Patti Sapone/The Star-Ledger

New NJ State Comptroller Matt Boxer and ELEC executive director Jeffrey Brindle hold a press conference to detail the inadequacies of the state's pay-to-play law in Trenton.

## Report: DRPA wasted millions

The N.J. comptroller said many people and groups treated the agency "like a personal ATM."

## Audit reveals runaway presidential pay, perks at county colleges

By Kelly Heyboer  
STAR-LEDGER STAFF

At Bergen Community College, the president went out for a \$460 steak dinner with two college officials and the school picked up the tab.

At Essex County College, the president racked up \$3,500 in cell phone charges and passed the bill on to the school.

At Burlington County College, the president charged his school for \$150

worth of car washes.

Presidential expense accounts are a small part of the executive compensation packages that are growing largely unchecked at the state's 19 county colleges, according to a report released yesterday by the state comptroller's office.

The audit found that presidential pay at some county colleges tops \$300,000 a year and that the schools paid contracts with lucrative

retirement packages, housing allowances, country club memberships and other perks.

It is time for the college trustees to start reining in the spending, state Comptroller Matthew Boxer said.

"There are no state standards or guidelines for college trustees to rely on when setting compensation terms for their president," Boxer said. "As a result, there are huge disparities in not only the salaries of community

■ See what N.J.'s county college presidents make. Page 4

college presidents, but other forms of their compensation as well. We're not suggesting a one-size-fits-all approach, but it's appropriate to set boundaries when schools are spending taxpayer dollars."

Presidential pay is especially glaring at county colleges, where the "notion of affordability" is central

to the schools' missions, the report said. New Jersey's two-year colleges charge some of the highest county college tuitions in the nation.

Boxer spent more than a year auditing the county colleges, using data from 2010. Among the findings:

■ Union County College put \$150,000 into then-president Thomas Brown's retirement fund — 14 times the required contribution — the

SEE PRESIDENTS, PAGE 4



**CourierPostOnline.com**  
FROM SOUTH JERSEY TO YOU  
**Adopt comptroller's  
profiling corrections**

**NorthJersey.com**

## N.J. targets Medicaid fraud

WEDNESDAY, OCTOBER 19, 2011

BY JULIET FLETCHER

STATE HOUSE BUREAU

HERALD NEWS



**Towns, taxpayers could save \$100 million annually by opting for state health plan, comptroller says**

## State child care program rife with errors

Audit uncovers  
ineligible users,  
sloppy records

By **JOHN REITMEYER**  
STATE HOUSE BUREAU

**NorthJersey.com**  
State: NJ shoe store  
billed Medicaid for  
'orthopedic' high-top  
sneakers

## Audit: Community colleges pay heads richly

By Jenna Pizzi  
STAFF WRITER

As president of Mercer County Community College, Patricia Donohue has received hefty retirement fund contributions, a lavish expense account, thousands of dollars in relocation money, and thousands more for housing and vehicle stipends, according to a new state audit.

MCCC board officials say perks like these are written into her contract,

which pays a base salary of \$168,324, and were necessary to make the job competitive and attract her to the position. State officials say they are symptomatic of excessive compensation among New Jersey's community college presidents.

Executive compensation packages are largely unchecked at the state's 19 county colleges, according to the report released yesterday by the state comptroller's office.

"There are no state standards or guidelines for college trustees to rely on when setting compensation terms for their presidents," State Comptroller Matthew Boxer said.

"As a result, there are huge disparities in not only the salaries of community college presidents, but other forms of their compensation as well. We're not suggesting a one-size-fits-all approach, but it's appropriate to set boundaries when schools are

spending taxpayer dollars."

At Burlington County College, the president charged his school for \$150 worth of car washes, according to the state report. In Bergen County, the community college president went out for a \$460 steak dinner with two college officials and the school footed the bill.

The audit, which examined spending during 2010 and took more than a year to compile, found some New

Jersey county colleges pay their presidents over \$300,000 a year and then throw in additional perks such as housing allowances and generous retirement contributions.

It is time for the college trustees to start reining in the spending, said Boxer.

Because county colleges have a "notion of affordability," the expensive compensation packages their

SEE **PRESIDENTS**, PAGE A09



Everything Jersey

## Editorial: Delaware River Port Authority's wasteful, unethical spending is exposed by N.J. comptroller

Published: Tuesday, April 03, 2012, 7:24 AM



Times of Trenton Editorial Board  
By

The Delaware River Port Authority is the latest in a growing list of public agencies to be exposed for spending abuses, ethical lapses and mismanagement following an audit by the New Jersey comptroller's office.

**NorthJersey.com**  
Loopholes removed  
from pay-to-play  
ordinance

## Report: Child care program lacks oversight, wastes funds

By Susan K. Livio  
STATEHOUSE BUREAU

New Jersey could be wasting millions of dollars a year on its subsidized child care program for thousands of working poor families by overpaying day care providers and failing to catch parents lying about their income, according to an audit state Comptroller Matthew Boxer released yesterday.

The comptroller's team found glaring problems with the oversight of the N.J. Cares for Kids day care assistance program that eluded the state Department of Human Services and 15 regional agencies that manage its vast referral network, according to the audit.

Based on a random check of

600 files from July 2009 to November 2011, the audit found:

- One in six families earned too much money to participate. One family claimed on the application form to make \$18,200 a year, but tax returns showed annual earnings of \$94,075.

- The state spent \$335,253 to provide day care to 71 children whose Social Security numbers were listed as 999-99-9999.

- The state paid \$66,957 for 214 children who were absent an entire month.

- The department paid a private company \$421,000 to identify who earns too much to participate, but seldom acts on the information.

SEE **DAYCARE**, PAGE 16

# Delaware River Port Authority / Millions misused

Posted: Wednesday, April 4, 2012 12:01 am

The Delaware River Port Authority is the latest rock turned over by state Comptroller Matthew Boxer. His investigation of authority finances, commissioned by Gov. Chris Christie in 2010, found - you guessed it - millions of dollars in toll money wasted and misused over the past 10 years.

**my**  
**CentralJersey**  
.com

## Horizon must do more to stop fraud

Horizon Blue Cross Blue Shield is costing all of us a lot of money — not just its customers paying for its health insurance premiums. That's what happens when its subsidiary, the state's largest Medicaid HMO, fails to dedicate enough resources to preventing fraudulent medical payments. That is the clear conclusion drawn from an audit by the state Comptroller's Office.

**THE DAILY JOURNAL**.com  
Covering Vineland, Millville and Greater Cumberland County, N.J.  
**Comptroller tells familiar tale of excess**

**NorthJersey.com**

## Edgewater tax assessor gave inappropriate breaks to developer, according to state investigation

TUESDAY, NOVEMBER 15, 2011 LAST UPDATED: TUESDAY NOVEMBER 15, 2011, 12:33 PM

BY LINH TAT  
STAFF WRITER  
THE RECORD

EDGEWATER — The borough's tax assessor "inappropriately" reduced one prominent developer's taxes by more than \$472,500 — about triple the savings granted to individual homeowners in the same building — during the 2008-09 years, according to an investigation by the Office of the State Comptroller.