

State of New Jersey

**Schools Construction Corporation
Office of the Inspector General**

**Investigation of Tenant Relocation Matter for
the NJ Schools Construction Corporation**
June 8, 2007

**Mary Jane Cooper
Inspector General**



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

June 8, 2007

Honorable Jon S. Corzine
Governor, State of New Jersey
State House
P.O. Box 001
Trenton, NJ 08625

Re: Investigation of Tenant Relocation Matter for the
New Jersey Schools Construction Corporation

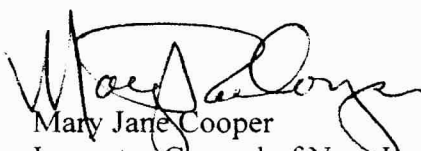
Dear Governor Corzine:

Enclosed is a copy of the report the Schools Construction Corporation Office of the Inspector General (SCC OIG) has prepared in response to a request for investigation from the New Jersey Schools Construction Corporation (SCC).

As required by OIG statute, a copy of this report has been sent to Senate President Richard J. Codey, Assembly Speaker Joseph J. Roberts and SCC CEO Scott Weiner. As this report involves possible criminal conduct by the tenant who is the subject of this report, the identity of that tenant has been excluded from the report and will instead be revealed to the Division of Criminal Justice in a separate and confidential letter. The SCC is already aware of the tenant's identity.

The SCC OIG's investigation of this matter is now complete. I am available to discuss this report with you at any time.

Respectfully,


Mary Jane Cooper
Inspector General of New Jersey

cc Richard J. Codey, President, New Jersey Senate
Joseph J. Roberts, Speaker, New Jersey State Assembly
Matthew Boxer, Director of Governor's Authorities Unit
Scott Weiner, CEO, New Jersey Schools Construction Corporation
Gregory Paw, Director, Division of Criminal Justice

**State of New Jersey Office of the Inspector General
New Jersey Schools Construction Corporation
Tenant Relocation Matter**

I. INTRODUCTION

The New Jersey Schools Construction Corporation (“the SCC”) forwarded this matter on April 5, 2007 to the SCC Office of the Inspector General (“the SCC OIG”) to investigate possible fraud committed by a tenant (“the Tenant”) who purportedly submitted a falsified lease to the SCC, causing the SCC to overpay a rent supplement to the Tenant following his relocation from a property the SCC had acquired in Gloucester City, NJ.

II. SUMMARY OF CONCLUSIONS

The SCC OIG’s investigation resulted in the following conclusions:

The SCC, in reliance upon an altered lease submitted by the Tenant, over-compensated the Tenant by \$5,040 in each of the two years, for a total overpayment of \$10,080.

Under the terms of the non-altered lease, the Tenant would be entitled to a rent supplement of \$4,140 for the remaining eighteen months of eligibility under the program. If this amount is withheld, it will serve as a set-off against the overpayment of the two previous years. In that case, the Tenant still owes the SCC the balance of \$5,940 from the overpayment.

III. BACKGROUND

The SCC (in compliance with state and federal law) provides benefits to tenants who are displaced when the SCC acquires property for school construction projects. The benefits include the finding of a suitable replacement dwelling for the displaced tenant and the payment of a rent supplement for 42 months. The supplement is calculated as the difference between the combined rent and utilities of the original location and the combined rent and utilities at the new location.¹ The SCC is assisted in this activity by an independent contractor, Universal Field Services (“Universal”).

A displaced tenant is not obligated to move into the replacement dwelling found by the SCC. A displaced tenant can instead find his own replacement dwelling so long as Universal determines that it is “decent, safe and sanitary” as required by statute.

The supplement is paid on a “spend-to-get” basis. That is, a displaced tenant receives the benefit only to the extent that the rent and utilities at the replacement dwelling exceed the rent and utilities at the original residence, subject to a maximum determined by the replacement dwelling found by the SCC. If a displaced tenant finds a more expensive replacement, the supplement is calculated using the SCC’s replacement dwelling. If a displaced tenant finds a replacement less expensive than the SCC’s replacement, the supplement is the actual difference between the rent and utilities at the original location and the new location (and potentially zero, if the replacement dwelling costs the same as the displaced tenant’s original home).

¹ The rent supplement could also be calculated in an alternative way. If a displaced tenant’s rent and utilities consume 30% or more of the monthly household income, then the supplement would be the new rent and new utilities minus 30% of the monthly household income. In this matter, the SCC had calculated the rent supplement using the first method, not the alternative method, because the Tenant had not provided any documents to substantiate his monthly household income, despite the SCC’s request for same.

The Tenant and his family rented in a house on Jersey Avenue in Gloucester City. The SCC intended to acquire this property. The Tenant gave the SCC a rent receipt and utility bills to establish that he paid rent of \$850 per month and utilities of \$100 per month. Universal found a replacement house that rented for \$1,600 per month including utilities on Cumberland Street in Gloucester City. At a maximum, the Tenant would be eligible to receive a rent supplement of \$650 per month for 42 months, a total of \$27,300.

Universal hand-delivered a letter to the Tenant on June 28, 2004 to notify him of his relocation benefit and to inform him that it was provided on a “spend-to-get” basis. The term was not explained in the letter, but was explained to the Tenant by Universal’s staff.

The Tenant did not move to Cumberland Street. He instead signed a one year lease for a house on North Broadway in Gloucester City. Universal inspected and approved this property as “decent, safe and sanitary” as required by statute.

Universal obtained a copy of the lease to the North Broadway property from the Tenant. The lease stated a rent of \$19,200 per year (equating to \$1,600 per month) plus utilities. This house was more expensive than the replacement found by Universal, so the Tenant’s rent supplement was limited to the maximum benefit. The SCC issued the Tenant a \$7,800 check (\$650 times 12 months) on December 6, 2004 for the first year of the lease (2005).

As the first year of the lease (2005) drew to a close, the SCC requested proof from the Tenant that he would continue to reside at the North Broadway address in 2006 and proof of his rent there. The Tenant provided a letter from his landlord stating that his rent for the upcoming year would not change from the previous year. The SCC issued the

second \$7,800 payment (for 2006)), but wired it directly to the landlord's bank account with the Tenant's consent.

When the Tenant failed to provide a copy of the lease for 2007, Universal obtained it from the landlord. The SCC discovered that the rent was only \$950 per month for the upcoming year. The SCC learned from the landlord that this had been the rent for the two previous years as well. It was never the \$1,600 per month that had been stated in the lease that the Tenant had given to the SCC.

The SCC did not send the third year's payment to the Tenant or to the landlord. Instead, the SCC forwarded the matter to the SCC OIG for investigation.

IV. ANALYSIS OF EVIDENCE

The SCC OIG reviewed Universal's file and interviewed the Senior Project Officer and the Project Officer at the SCC. The Project Officer explained that although SCC had requested it, the Tenant had never provided proof of his monthly household income. Although Universal's file contained a form listing a \$1,500 monthly household income, the Project Officer had concluded that it was impossible for the Tenant to pay his rent, utilities and other household expenses for his family of four on only \$1,500. Therefore, the SCC did not use the alternative method of calculating the rent supplement and the Tenant did not contest that method of calculation.

The Tenant telephoned the SCC OIG several times. He stated that he was facing eviction and needed the supplement to pay his rent. He stated that he works as a painter, that his wife works for K-Mart and that in a good month, their household income is \$3,000 to \$4,000.

The SCC OIG telephoned Universal and spoke with the Project Manager, who stated that Universal had explained the “spend-to-get” concept to the Tenant at the outset (*ie.* when Universal told him that he would be required to relocate). He was told that he could only obtain a rent supplement for his actual additional costs for rent and utilities, up to the limit for the house that Universal had found. The Project Manager said that the Tenant recently stated that he had inserted the higher rent figure in the lease because he understood that he was required under the rules to pay that much rent, but then he later denied this and insisted he actually had paid that higher amount in rent.

The SCC OIG interviewed the landlord to review the original leases with the original signatures. These showed no obvious sign of alteration. The first year’s (2005) rent was \$11,400 to be paid one year in advance, which equates to \$950 per month. The second (2006) and third (2007) years’ rents were \$950 per month.²

The lease in the files of Universal and the SCC was only a photocopy and thus did not reveal white-out or similar alterations. It is evident, however, from comparing the font size and type that a different typewriter had altered the copy of the lease the Tenant had provided to the SCC to show a higher rent.

The SCC OIG spoke with the Tenant’s attorney from Camden Regional Legal Services. The attorney stated that the Tenant denied that he was the source of the altered lease. The attorney contended that the landlord had provided the falsified lease to exact revenge upon the Tenant. The attorney refused to provide information or documents regarding the Tenant’s household income and denied the SCC OIG permission to speak with the Tenant.

² According to the landlord’s ledger, except for \$50 paid by the Tenant in the first year of the lease, the only rents paid on this property were the two payments of \$7,800 each from the SCC. Thus, the Tenant has lived in the replacement dwelling for more than two years at essentially no cost to the Tenant.

The SCC OIG spoke over the telephone with Relocation Officer from Universal who had dealt with the Tenant at the time he was relocated. The Relocation Officer stated that the Tenant had provided the lease that had been used to calculate the supplemental rent, the lease that contains the alterations.

The Universal Project Manager confirmed that the Tenant paid \$230 monthly for utilities at the replacement dwelling. This was calculated from PSE&G's printout, which averaged \$155 per month and from heating oil bills, which averaged \$75 per month. The property had oil heat and gas hot water.

On this record, it is evident that the Tenant's rent for the North Broadway property was \$950 per month (or for the first year, the annual equivalent of \$11,400). The Tenant's utilities for this location were \$230 per month.

Thus, under the "spend-to-get" provision, the supplement to the Tenant should have been calculated as follows: \$950 new rent plus \$230 new utilities (total \$1,180) minus \$850 old rent and \$100 old utilities (total \$950) for a net monthly supplement of \$230. The Tenant had instead collected \$650 per month for 24 months. He was thus overpaid by \$420 per month for a total of \$10,080 for the two year period.

Using the \$230 figure for future monthly payments, the Tenant would have been eligible for a rent supplement of \$4,140 for the eighteen months remaining under this program. In light of the overpayment, however, this \$4,140 should be setoff against the \$10,080 overpayment, and the Tenant would thus owe the SCC the balance: \$5,940.

If the Tenant's conduct constitutes "unclean hands" so as to entirely disqualify him from participation in this rent supplement program, then he might owe the SCC even more, perhaps even the total of all benefits he had collected.

V. RECOMMENDATIONS

A. Recovery of Overpayment

The SCC OIG recommends that the SCC notify the Tenant that unless he can substantiate his household monthly income for the years in question, he must return the net overpayment of \$5,940 and he will receive no further supplemental rent. The SCC OIG further recommends that if the Tenant fails to return the overpayment, then the SCC should file suit against him to recover a civil judgment and initiate collection efforts on that judgment.

B. Modifications of SCC Procedures

The SCC should modify its procedures for processing rent supplements in relocation matters. In particular, the SCC and its independent contractor, Universal, should require a copy of the lease from both the displaced tenant and the landlord so that discrepancies, if any, may be more easily discovered.

The SCC and Universal should also require each displaced tenant to sign a certification to confirm the rent and utilities paid by the displaced tenant.

C. Referral for Review by the Division of Criminal Justice

The SCC OIG is referring this matter to the Division of Criminal Justice for its review and determination of whether any of the conduct described herein amounts to criminal conduct warranting prosecution.