



State of New Jersey

OFFICE OF THE STATE COMPTROLLER  
P.O. Box 024  
TRENTON, NJ 08625-0024

**CHRIS CHRISTIE**  
*Governor*  
**KIM GUADAGNO**  
*Lt. Governor*

**A. MATTHEW BOXER**  
*State Comptroller*

August 21, 2013

The Honorable Jeffery Jones  
Mayor  
City of Paterson  
City Hall  
155 Market Street  
Paterson, NJ 07505

Re: American Recovery and Reinvestment Act-Energy  
Efficiency and Conservation Block Grant Program  
Report PA-20c

Dear Mayor Jones:

Pursuant to the State Comptroller's authority set forth in *N.J.S.A. 52:15C-1 et seq.*, we reviewed the use of, and internal controls over, the Energy Efficiency and Conservation Block Grant (EECBG) awarded to the City of Paterson. The objective of our audit was to assess the adequacy of controls over the procurement, expenditure and reporting of EECBG-related activities. Our audit covered the period October 14, 2009 through July 1, 2013.

In performing the audit we reviewed applicable federal and state laws as well as Paterson's policies and procedures relating to EECBG activities. We also conducted interviews with pertinent Paterson personnel and physically observed work performed and goods purchased with grant funds.

We conducted our audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and

conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

On October 14, 2009, Paterson was awarded an EECBG grant in the amount of \$1,344,800. The EECBG grant program was funded under the American Recovery and Reinvestment Act of 2009. The purpose of the grant program was to assist eligible entities to develop, promote, implement and manage energy efficiency and conservation projects and programs designed to reduce total energy use, improve energy efficiency and create jobs.

In reviewing Paterson's EECBG-related activities, we tested: internal controls and selected transactions concerning the procurement of contracted services; allowable expenditures; the recording and reporting of expenditures; and the timely use of the funding in accordance with EECBG requirements. We identified a reportable condition concerning a consulting contract to develop an energy efficiency and conservation strategy that was procured as an "Extraordinary Unspecifiable Service" (EUS) in accordance with *N.J.S.A. 40A:11-5(1)(a)(ii)*.

Before awarding an EUS contract under *N.J.S.A. 40A:11-5(1)(a)(ii)*, "a designated administrative official of the contracting unit must file a certificate with the governing body clearly describing the nature of the work to be done, stating that it is not reasonably possible to draft specifications, describing the informal solicitation of quotations, and describing in detail why the contract meets the provisions of the statute and these rules. . . . The certification must be kept with the resolution awarding the contract." *N.J.A.C. 5:34-2.3*. In addition, notice of the contract award must be published in the municipality's official newspaper. *N.J.S.A. 40A:11-5(1)(a)(ii)*.

The City of Paterson was not able to provide us with this certification for the consulting contract. Nor was the City able to demonstrate that it solicited quotes from other prospective vendors. In addition, the City was not able to provide a copy of the notice of the contract award published in its official newspaper.

Paterson should improve its procurement controls to ensure future compliance with the requirements of *N.J.S.A. 40A:11-5(1)(a)(ii)* and *N.J.A.C. 5:34-2.3*.

We provided a draft of this letter report to City of Paterson officials for their review and comment. Their comments are attached as Appendix A.

We thank the management and staff of the City of Paterson for the cooperation extended to our auditors during this audit.

Very truly yours,

A handwritten signature in blue ink, appearing to read "William P. Challice".

William P. Challice, CIA, CFE, CGFM  
Director, Audit Division

c. Anthony Davis, Council President  
Charles Thomas, Esq., Business Administrator



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Charles Thomas, Esq.

Business Administrator

July 18, 2013

Mr. William P. Challice

Audit Director

Office of the State Comptroller

P.O. Box 024

Trenton, New Jersey 08625-0024

**RE: Energy Efficiency and Conservation Block Grant Program**

Dear Mr. Challice:

Please be advised that the following corrective measures have been implemented in response to the State Comptroller's Audit of the above-referenced grant award:

1. The City of Paterson will employ the competitive contracting program instead of utilizing the "Extraordinary Unspecifiable Services" (EUS) exceptions to the bidding requirement as a procurement option when circumstances are feasible.
2. In instances where the "Extraordinary Unspecifiable Services" (UES) exception is utilized, the City Clerk has been instructed by the Purchasing Agent to provide his office with a copy of the Publication Notice for the EUS contract. (See Letter Attached).
3. The City will conduct a seminar for all department directors and division directors to ensure that they understand that the City of Paterson has a Centralized Purchasing System, and that the Purchasing Agent must oversee the procurement of all public contracts.

Thank you for your attention and assistance in this matter.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Charles Thomas".

Charles Thomas, Esq.

Business Administrator

C. Harry Cevallos, Purchasing Agent/Robert Briigliodoro, Esq., 1<sup>st</sup> Asst. Corp. Counsel  
Anthony Zambrano, Ag. Finance Director/Hon. Jeffery Jones, Mayor