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OSC releases findings to follow-ups of four audits

The Office of the State Comptroller issued follow-up reports today charting the progress made by public entities in complying with the recommendations from four previous audits.

Those four audits examined: the oversight of the state's Residential Community Release Program; the contracting and financial practices at the Middlesex County Improvement Authority (MCIA); the state's efforts to remove confidential information from computer equipment being sold at public auction; and the evaluation of health care coverage options by select local governments. In each case, the follow-up report found the audited entities had made significant progress in complying or at least partially complying with the vast majority of OSC's recommendations.

"Whenever we release an audit to the public, it marks not the end of the process but the beginning," said Acting State Comptroller Marc Larkins. "We follow up on all of our audits to chart the progress made and ensure accountability. I'm pleased that the follow-up reports released today all offer evidence of positive change for New Jersey's taxpayers."

Department of Corrections' Residential Community Release Program

A follow-up to a June 2011 audit of the Department of Corrections (DOC) found significant improvement in the state's oversight of the Residential Community Release Program (RCRP). For the follow-up, OSC visited five RCRP facilities operated by four halfway house providers under contract with the state. OSC's initial audit had found that DOC contract administrators were not meeting their requirement to conduct unannounced site visits at RCRP facilities. The follow-up review determined that, on average, DOC administrators are now spending two to three days per week conducting and documenting both scheduled and unscheduled site visits.

Since the initial audit, DOC has also begun to verify the existence of secure holding areas at all RCRP locations in order to lessen the opportunity for escapes. DOC officials have also begun to review all escapes to assess whether it should exercise its contractual right to collect damages from halfway house providers. In all, DOC implemented 20 of the 28 recommendations from OSC's initial audit and partially implemented 7 others. The status of the remaining recommendation could not be determined at the time of the follow-up. In addition, a separate review by OSC's Procurement Division found DOC has developed and begun to follow prescribed procurement procedures in contracting with RCRP's.

MCIA's Procurement and Financial Operating Practices

OSC's August 2012 audit of the MCIA found that it did not effectively manage many of its contracts and provided its management with payouts that were contrary to the interests of the Authority and the public. Of the audit's 15 recommendations, OSC found 14 have been implemented and 1 has been partially implemented. In complying with the audit recommendations, the MCIA eliminated a \$38,400-per-year insurance consultant position, reformed its contracting procedures, improved the transparency of its compensation practices and eliminated yearly sick-leave buyouts for non-union employees.

Disposition of Surplus and Excess Computer Equipment

A March 2011 OSC audit found State agencies had failed to remove confidential information – such as social security numbers, completed tax returns and child abuse reports – from computers that were packaged for public auction at a warehouse operated by the state Department of Treasury. OSC auditors found data on 79 percent of the computers sampled at the warehouse and confidential or personal information on nearly a third.

Following OSC's audit, the State Legislature enacted a law that required state agencies disposing of surplus computer equipment to include a declaration asserting that it had removed all hard drives and data storage devices. For its follow-up report, OSC auditors returned to the state warehouse and opened 111 computers, 24 servers and 8 copiers that state agencies had sent to be sold at public auction. Though all of

the IT equipment had the required declaration, there were 12 hard drives that had not been removed. None of the hard drives contained confidential data.

In its response to OSC's follow-up report, Treasury officials said random inspections of incoming computer units will now be conducted, with additional scrutiny given to agencies known to have shipped computers with storage devices intact. Overall, OSC found the state Department of Treasury had implemented 5 of the audit's 10 recommendations and partially implemented two others. The other three recommendations were no longer applicable.

Analysis of the Evaluation of Health Coverage by Local Governments

A February 2012 audit analyzed four local governments and found that three of them had not evaluated the costs and benefits associated with joining the State Health Benefits Program. OSC's follow-up found that each of those public entities are now conducting such evaluations, though none have opted to switch to the state plan.

Three of the public entities involved in the audit were also employing insurance brokers that were paid by commission. Each of those public entities have complied with OSC's recommendation to utilize a pre-set fee structure to mitigate the risk of brokers recommending more expensive insurance coverage in order to make more lucrative commissions.

Two of the audited entities— Brick and Haddon townships – failed to meet a recommendation to clearly identify in its billing statements the amount paid to insurance brokers. Haddon Township also failed to comply with two other recommendations that involved the use of a competitive process in the appointment of its insurance broker. Both Brick and Haddon townships indicated in their response to OSC that they are now taking steps to address those recommendations.

All other recommendations from the audit were implemented or, in some cases, partially implemented.

All four follow-up reports are available on OSC's website: www.nj.gov/comptroller.

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