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State Comptroller Audit Urges Changes to State-Funded Heating Assistance Program

A state-funded program that provides temporary financial assistance to individuals and families struggling to pay their energy bills would benefit from stronger oversight and stricter eligibility guidelines, according to an audit released today by the Office of the State Comptroller (OSC).

The audit specifically reviewed the assistance program administered by NJ SHARES, a non-profit group hired by the state that received approximately $21 million in state funding from 2009 through 2011. The OSC audit detailed questionable expenditures of NJ SHARES program funds as well as flaws in the non-profit agency's procedures for determining which individuals and families are eligible for energy assistance grants.

"With winter quickly approaching, it is important that the state administer its heating assistance programs in a manner that is fair and equitable," State Comptroller Matthew Boxer said. "We have made a series of recommendations to further those goals, based in part on the experiences of other states."

Eligibility for an NJ SHARES grant is based on income level, a demonstrated financial crisis and a history of good-faith energy bill payments. NJ SHARES provides grants on a "first-come, first-served" basis and not all eligible applicants receive grants.

OSC's audit sampled 338 grant recipients and identified shortcomings in the eligibility verification process, which in practice consists primarily of a review of one month's pay stubs submitted by the applicant. For example, the audit found that:

- Applicants disclosed only some of their income in order to avoid being declared ineligible. For example, one applicant stated her gross monthly income of $3,989 on her application but not her spouse's additional earnings of approximately $5,445 per month.

- A two-member household reported a gross monthly income of $2,845 on their NJ SHARES application (equating to an annual estimated income of $34,140), yet the same household reported a total income of $146,570 on their tax return for that year.

- Nine of the grant recipients stated they were married on their NJ SHARES application even though their tax return indicated they were not married, raising questions as to whether the applicants were falsely claiming married status on their application to qualify for the less restrictive income requirements for larger households.

- Even though applicable guidelines require that successful applicants demonstrate that they are experiencing a financial crisis, such as a crisis brought on by a job loss or medical illness, more than 70 percent of NJ SHARES grant recipients claimed "high energy costs" as the sole reason for their crisis.

- In total, OSC identified 114 grant recipients out of the 338 who should have been deemed ineligible under NJ SHARES guidelines because they did not document that they met eligibility requirements.

As part of the audit, OSC also surveyed programs from seven other states and the District of Columbia and found that NJ SHARES awards the largest grants and allows the highest income for grant recipients, both by a considerable margin. For example, while NJ SHARES' average grant award was $587, the second-highest average was $363. For a family of five, NJ SHARES allowed a maximum income of $108,400, while the second-highest income limit was $60,552. Meanwhile, the NJ SHARES program turned away approximately 19,000 applicants in 2010 due to limited funds.

The audit also detailed a series of questionable expenditures by NJ SHARES. While NJ SHARES officials stated that those particular funds came from a private company, OSC found that NJ SHARES had comingled state funds with its funding from outside sources, making it impossible to determine the funding source for the expenditures.

The questionable expenditures included catered affairs at New Jersey Devils hockey games totaling $2,676, as well as eight restaurant charges that each exceeded $1,000 and totaling $32,322. One of those restaurant charges in Atlantic City included $3,339 for alcohol, in apparent violation of NJ SHARES policy that prohibits employees from drinking alcohol while engaged in NJ SHARES business.

In addition, OSC's review of a sample of NJ SHARES' credit card statements found 74 of 862 transactions had been charged to an incorrect expense account in NJ SHARES' general ledger. For example, OSC found lunch charges for NJ SHARES employees had been charged to a "supplies" account while gas station charges had been charged to a "rent" account. The volume of errors and the nature of some of those errors could indicate an intent to hide certain transactions, the audit noted.

"The message of this audit is that when the state has delegated a public function to a vendor, this office will be vigilant in ensuring that vendor's conduct is consistent with the public's expectations of fairness and transparency," Boxer said.

The OSC audit separately found that 52 of the sampled NJ SHARES grant recipients did not file a tax return even though information they submitted to NJ SHARES indicated they were required to file. The names of those individuals have been reported to the state Division of Taxation for review and appropriate action.