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State Comptroller Audit of City of Newark Sets Forth Blueprint for Savings

An Office of the State Comptroller (OSC) report released today identifies costly practices in Newark city government and makes a series of recommendations to address employee compensation expenses and a disproportionately large City Council budget.

The audit looked at selected payroll, timekeeping and operating practices in the City and identified several areas of potential cost savings. For example, it found the City appropriated more than \$10 million for its Clerk and Council offices in 2012, more than six times the amount appropriated for the same offices in similarly sized Jersey City and more than eight times the amount spent in Paterson, the next largest New Jersey municipality.

The audit also noted the numerous supplemental, non-salary payments the City is making to its employees under collective bargaining agreements, such as stipends for stress pay, shift differential and hazard duty. The City overpaid various employees by approximately \$216,000 in such supplemental pay, through both calculation errors and payments to employees who were not eligible for them. For example, employees in job titles such as principal account clerk and data processing coordinator received clothing allowances that they were not entitled to under bargaining agreements.

"All of these supplemental payments make the employee compensation less transparent," State Comptroller Matthew Boxer said. "In addition, we found the city overpaid its employees as a result of calculation errors and by paying stipends to employees who were not eligible for them."

The audit also noted the significant lump-sum retirement payments the City has committed to its police and fire personnel for unused leave time. One employee who retired in October 2010 accrued enough leave time to stay on the payroll until May

2012. In that period, he received two annual salary increases and nearly \$200,000 in three annual lump sum payments, even though he was no longer actually working for the City. A review of five employees who received the largest payouts found that the City could not provide supporting documentation for the time supposedly accrued by three of them.

Among the appropriations questioned in the audit were annual allowances to cover expenses for the mayor and members of the Council. Rather than reimburse actual expenses as they were incurred, the City spent more than \$545,000 from 2010 to 2012 on pre-set “in lieu of expenses” payments. The City did not establish guidelines for the use of the annual allowance and imposed no requirement that any expenditure of the funds be documented.

The audit also identified questionable expenditures from the City Clerk and Council budgets, including:

- payments totaling \$11,500 for photography services for Council members;
- \$3,900 for hotel charges for a softball team visiting the City to compete in a tournament; and
- \$2,875 for holiday decorations in the Council chambers.

Two other questionable expenditures appeared to present a conflict of interest for the Council member who requested them. OSC is referring that matter to the Local Finance Board, which adjudicates potential violations of the Local Government Ethics Law.

In addition to the areas described above, the audit makes a number of recommendations to improve weaknesses in areas such as payroll practices, calculation of overtime and other internal operations.

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Click [here](#) to view the complete report.

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