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State Comptroller Audit Finds Wide Range of Contracting Problems in Washington Borough, Warren County

Poor management practices led to nearly fivefold increase in costs for a garage project; fire truck contract effectively steered toward a specific vendor.

An audit released today by the Office of the State Comptroller (OSC) spotlights how poor contract and fiscal management allowed a municipal garage project to increase nearly fivefold in cost while yielding minimal construction progress over a 10-year period.

Washington Borough - a municipality with a total budget of \$6.16 million and 6,712 residents - has borrowed nearly \$3 million to date to erect a pre-fabricated garage for its public works department. The borough had estimated the total cost for the project at \$569,311 in 1998. The projected final cost now stands at \$2.7 million.

Because the borough had not tracked the cost of the project over the 10-year period, OSC auditors had to compile the project-related costs from individual accounting records at the borough.

"Delays happen and projects sometimes go over budget, but in this case Washington Borough officials didn't even have a budget for the project and didn't realize how much the borough had spent," State Comptroller Matthew Boxer said. "The result is that taxpayers have been paying for bonded debt on this project since 2000 and still don't have the benefits of a useable garage."

The OSC audit found Washington Borough bonded for the construction project with no project budget, no agreed-upon scope of services with key vendors and no limits on items such as engineering fees, which rose from an estimated six percent of the total project cost to 22 percent (from \$33,000 to \$419,330).

“Whether it’s a large city or a borough with fewer than 7,000 residents, a significant amount of public dollars are wasted when public officials fail to properly monitor construction projects,” Boxer said. “If Washington Borough had put the right contract management procedures in place, it would not be in this position right now.”

The borough also violated state bond law when it transferred \$278,000 of bond proceeds for the garage project to unrelated accounts without the permission of the borough council and before construction ever began.

The audit also found the borough appeared to tailor bid specifications for a new fire truck to favor a specific company, while not allowing sufficient time for a competing bidder to seek the contract. The specifications required by Washington Borough included items that were apparently exclusive to or patented by one vendor, such as specific clamps for air tanks and certain lighting fixtures. Other specifications governed the type of side-view mirrors and the size of compartments in the fire truck. The borough ultimately awarded the contract to that vendor for \$891,177.

“When bid specifications dictate the size of vehicle compartments to within a tenth of an inch, the intent is not to promote competition but to eliminate it,” Boxer said.

State law requires that specifications be drafted “in a manner to encourage free, open and competitive bidding.”

Other findings detailed in the audit include a series of contracting-related deficiencies, such as a failure to implement the procedures required by the state Pay-to-Play law.

The OSC audit makes 15 recommendations for improving Washington Borough’s procurement and fiscal practices. The new borough manager – who started in his position in March 2009 – has committed to a series of corrective actions to be taken as a result of the audit.

“We’re encouraged by the borough’s response to our findings,” Boxer said. “Our office remains available to assist the borough in implementing the corrective action plan we’ve detailed.”

Washington Borough is located in Warren County and is entirely surrounded by another municipality, Washington Township.