



# State of New Jersey

**MIKIE SHERRILL**  
*Governor*

**DR. DALE G. CALDWELL**  
*Lt. Governor*

OFFICE OF THE STATE COMPTROLLER  
AUDIT DIVISION  
P.O. BOX 024  
TRENTON, NJ 08625-0024  
(609) 984-2888

**SHIRLEY U. EMEHELU**  
*Acting State Comptroller*

**CHRISTOPHER JENSEN**  
*Director*

April 28, 2026

Hon. Joseph Jackson, Mayor  
Township of Rockaway  
65 Mount Hope Road  
Rockaway, NJ 07866

## **Re: Follow-Up Report – A Performance Audit of Selected Fiscal and Operating Practices: Township of Rockaway**

Dear Mayor Jackson:

On May 24, 2023 we issued an audit report, *A Performance Audit of Selected Fiscal and Operating Practices: Township of Rockaway* (2023 Audit),<sup>1</sup> in which we made recommendations to address identified weaknesses. Pursuant to N.J.S.A. 52:15C-1 et seq., we have conducted a follow-up review of the corrective action plan of the Township of Rockaway (the Township or Rockaway) to assess the implementation of the recommendations contained in the 2023 Audit. Our findings and conclusions are set forth below.

## **Background, Scope, and Objective**

Our initial audit of Rockaway identified internal control weaknesses. These weaknesses related to employee leave policies and payments, the procurement of insurance contracts, health benefit plan costs, overtime compliance, and reserve balances.

The objective of our follow-up review was to determine if the Township implemented the 15 recommendations contained in our 2023 Audit report.

## **Summary Conclusion**

Rockaway has achieved notable progress since our original audit. We found that Rockaway switched prescription benefits for active and retired employees, saving approximately \$1.4 million

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<sup>1</sup> STATE OF N.J. OFFICE OF THE STATE COMPTROLLER, A PERFORMANCE AUDIT OF SELECTED FISCAL AND OPERATING PRACTICES: TOWNSHIP OF ROCKAWAY (May 24, 2023), <https://nj.gov/comptroller/reports/2023/approved/20230524.shtml>.

in the first year. We also found that the Township was able to utilize excess fund trust balances to reduce local property taxes by almost \$1 million. In addition, we determined that the Township had millions of dollars of unspent and unencumbered funds related to capital projects that were authorized more than five years ago. The Township has reduced the balances of these unused funds by \$10.2 million, allowing these outstanding balances to be potentially repurposed or canceled. Other issues remain to be addressed. Among other things, Rockaway still must improve compliance with procurement laws and address problems related to payment of supplemental wages to employees.

We find that Rockaway has made substantial progress in implementing the recommendations set forth in our 2023 Audit. Of the fifteen audit recommendations, the Township implemented thirteen and partially implemented two. We urge Rockaway to continue its efforts to comply with the recommendations that have not been fully implemented.

## **Status of Initial Audit Recommendations**

### **Recommendation 1**

*Ensure that provisions in CBAs, individual employment contracts, and the [Township's Policy and Procedures] Manual, as applicable, include (1) terms that limit payments for unused sick leave for senior employees and those hired after May 21, 2010 to \$15,000, payable only upon retirement from a pension system, and (2) terms that restrict vacation leave carryover, including vacation leave received in lieu of holidays, consistent with state law for local governments in the civil service system.<sup>2</sup>*

#### ***Status: Implemented***

Our 2023 Audit found that the Township's collective bargaining agreements (CBAs), employment contracts, and Policy and Procedures Manual (Manual) included multiple provisions that were inconsistent with state law. Rockaway advised in its corrective action plan that the Township has signed memoranda of agreement with six unions that incorporate the recommended changes into all CBAs and that the Township's Manual has been updated to comply with applicable law.

During our follow-up review, we confirmed that Rockaway's CBAs, employment contracts, and Manual have been updated with terms that address the recommendation to limit unused sick leave and restrict vacation leave carryover.

We consider this recommendation implemented due to the actions taken by the Township.

### **Recommendation 2**

*Ensure compliance with 2007 and 2010 laws on sick leave, evaluate annual and terminal leave payments, and assess the potential to recoup improperly paid*

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<sup>2</sup> Recommendations derived from the original audit. STATE OF N.J. OFFICE OF THE STATE COMPTROLLER, A PERFORMANCE AUDIT OF SELECTED FISCAL AND OPERATING PRACTICES: TOWNSHIP OF ROCKAWAY (May 24, 2023), <https://nj.gov/comptroller/reports/2023/approved/20230524.shtml>.

*balances in consultation with appropriate Township professionals. Demand recoupment of unlawful payments. Document facts and positions taken during this evaluative process and document efforts to recover funds.*

***Status: Implemented***

Our 2023 Audit found that annual and terminal leave payments of \$167,093 were made in violation of state law or Township policy. These payments included approximately \$47,000 in annual sick leave payments paid to the police chief between 2019 and 2021, in violation of the 2007 sick leave law. Rockaway advised in its corrective action plan that the Township has signed memoranda of agreement with six unions that incorporate the recommended changes into all CBAs and that the Township's Manual has been updated to comply with applicable law.

During our follow-up review, we sampled annual and terminal leave payments to test for compliance with the 2007 and 2010 laws and found no reportable issues. We found that the payments were supported with documentation, calculated properly, and complied with the 2007 and 2010 sick leave laws.

Rockaway, however, did not seek to recoup improper payments. Further, the Township prospectively changed benefits to include annual payments of vacation leave to employees not covered by CBAs. The Township stated that they were advised by legal counsel that earned vacation time is a vested benefit and cannot be taken away after it is earned. We disagree with the assessment. For example, as per N.J.A.C. 4A:6-1.2(g), state employees who are unable to use their vacation leave within a calendar year due to business necessity, must use that time the following year to avoid losing it. While this regulation includes limited exceptions to this general rule, none appear to apply here.

Regarding unlawful payments, we note that between 2019 and 2021, the Township made payments to the former police chief for unused sick time totaling approximately \$47,000 in violation of the 2007 sick leave law. Rockaway explained that the former police chief had obtained a settlement with the Township which included a lump sum payment that covered the \$47,000. Our review of the former police chief's accumulated leave at the time of retirement confirmed that the settlement amount was approximately \$134,000 less than the value of the police chief's accumulated leave time. This difference reasonably demonstrates that the Township took action to recoup the \$47,000 unlawful payment identified in our initial audit. Additionally, testing confirmed that the settlement payment was not subject to the \$15,000 statutory cap.

Based on the foregoing, we consider this recommendation implemented.

**Recommendation 3**

*End the practice of allowing holiday-related vacation leave to accumulate without restriction. Obtain written legal advice regarding the enforcement of existing contractual provisions. The advice should include an examination of existing CBA language to determine the contractual limitations for this leave as well as the application of the carryover limitations of N.J.S.A. 11A:6-3(e). The Township should prepare a memorandum regarding this issue that explains the decision it made based on the advice received.*

***Status: Implemented***

Our 2023 Audit found that the Township allowed police employees to accumulate excessive holiday-related vacation leave without a contractual or statutory basis. Rockaway advised in its corrective action plan that the Township has signed memoranda of agreement with six unions that incorporate the recommended changes into all CBAs and that the Township's Manual has been updated to comply with applicable law.

During our follow-up review, we noted that CBAs have been changed to include the carryover limitations of N.J.S.A. 11A:6-3(e). In addition, the Manual has been updated to state that accrued and unused holiday-related vacation time in excess of the carryover limitations of N.J.S.A. 11A:6-3(e) shall be paid out automatically.

We consider this recommendation implemented due to the actions taken by the Township.

**Recommendation 4**

*Adjust accumulated leave records for employees whose leave time exceeds the limit established by N.J.S.A. 11A:6-3(e). Seek guidance from Township professionals regarding how to implement the necessary adjustment. Document decisions and reasons for these decisions during this process. As needed, pursue relief through available dispute resolution processes.*

***Status: Implemented***

Our 2023 Audit found that 32 of 219 Township employees had accumulated vacation leave balances in excess of the statutory two-year limit. The Township advised in its corrective action plan that it made payments of accumulated time to ensure compliance with the law.

During our follow-up review, we found that the Township sought and received guidance from its attorney. The guidance stated that in order for the Township to comply with N.J.S.A. 11A:6-3(e), Rockaway would have to pay employees for their accumulated vacation time exceeding the two-year limitation. These payments totaled approximately \$3.4 million and were made to 66 employees, with individual amounts ranging from \$146 to \$288,288. The Council approved payments to employees to buy back the excess accumulated vacation time. We note that future vacation payouts, if made, will occur annually using current pay rates, as opposed to being paid at retirement when they are likely to be higher.

We consider this recommendation implemented due to the actions taken by the Township.

**Recommendation 5**

*Determine, in accordance with N.J.S.A. 11A:6-19.1, whether any other employees subject to advice and consent of the governing body are subject to the sick leave limitations in that law and adopt a resolution or ordinance. Obtain written legal advice regarding this issue and document facts and positions taken during this evaluative process.*

***Status: Implemented***

Our 2023 Audit found that Rockaway had not taken corrective action to remediate deficiencies in its employee sick leave policies and contract provisions identified in audits and oversight reports. Notably, we found that annual sick leave payments made to the Rockaway police chief violated the 2007 law on sick leave. Rockaway advised in its corrective action plan that our recommendation had been incorporated into the Township's Manual.

During our follow-up review, we found that Rockaway made updates to its Manual to include references to N.J.S.A. 11A:6-19.1. In addition, the Township adopted an ordinance stating that the title of police chief is subject to the sick leave limitations imposed by state law.

We consider this recommendation implemented due to the actions taken by the Township.

### **Recommendation 6**

*Comply with the requirements of the Local Public Contracts Law, including N.J.A.C. 5:34-2, for the procurement of insurance and insurance services.*

#### ***Status: Partially Implemented***

Our 2023 Audit found that the Township's procurement of health insurance coverage and health insurance brokerage services did not comply with the Local Public Contracts Law (LPCL) regulations, namely N.J.A.C. 5:34-2, or the Township's own policy. Rockaway did not follow any authorized procurement process to retain a health insurance broker and did not have a written contract with the broker. Rockaway advised in its corrective action plan that the Township established and initiated the request for quotation (RFQ) process to procure a Broker of Health Record Services.

During our follow-up review, we selected three insurance-related contracts to determine compliance with the LPCL. We found that the Township demonstrated an effort to procure the broker in accordance with applicable laws and complied with many of the requirements of the LPCL.

During the procurement of vision insurance, the Township utilized the Extraordinary Unspecifiable Services (EUS) exception, which requires an informal solicitation of quotes, yet the Township did not solicit or obtain quotes. In addition, we found that the Township preemptively agreed to "four consecutive 12-month contracts" through 2029, with the vendor for vision insurance. Under the LPCL, insurance contracts may be awarded "for any term of not more than three years." N.J.S.A. 40A:11-15(6). Local entities cannot circumvent the three-year term limit by awarding separate one-year contracts in advance without complying with the required procurement processes for re-solicitation of each new separate contract. Such action results in avoiding compliance with the LPCL's procurement process for each separate contract and also violates the LPCL's three-year contract term limit by awarding a total term of four years. We also identified minor noncompliance issues related to the procurement documents and notified Rockaway's management of those issues.

We consider this recommendation partially implemented because Rockaway has taken steps to improve compliance with the LPCL, but significant issues still remain, as discussed above, that should be addressed. We urge the Township to ensure compliance with all aspects of the LPCL.

### **Recommendation 7**

*Obtain political contribution disclosures for contracts with values in excess of \$17,500 or comply with the fair and open process.*

#### ***Status: Implemented***

Our 2023 Audit found that the Township did not obtain the required political contribution disclosures for contracts awarded in excess of \$17,500 when the award did not comply with the fair and open requirements.

During our follow-up review, we selected three contracts to determine whether Rockaway obtained political contribution forms when required. We found that the Township either obtained the political contribution form or complied with the fair and open process for all three contracts reviewed.

We consider this recommendation implemented due to the actions taken by the Township.

### **Recommendation 8**

*Amend the Township's purchasing policy to include additional details regarding extraordinary unspecifiable service procurements such as requiring the solicitation of quotes, filing of the required certificate with the governing body, approving the contract by governing body resolution, and requiring contract description in advertisement.*

#### ***Status: Implemented***

Our 2023 Audit found that the Township's purchasing policy did not comply with the requirements of a fair and open process. Rockaway advised in its corrective action plan that it made amendments to its Purchasing Manual.

During our follow-up review, we found that the Township's Purchasing Manual, updated July 10, 2023, included additional details about procurements awarded under the EUS exception. These details included the solicitation of quotes, the filing of the required certificate with the governing body, and the requirement to include a contract description in the advertisement.

We consider this recommendation implemented due to the actions taken by the Township.

### **Recommendations 9 and 10**

*Conduct an analysis to evaluate the costs and benefits of switching to the [New Jersey State Health Benefits Program] for prescription coverage for current employees.*

*Based upon this analysis, seek to implement the most cost-effective means of providing employee health benefits through collective bargaining. Substantiate any analysis performed and collective bargaining negotiations with written documentation.*

***Status: Implemented***

Our 2023 Audit found the Township could have saved \$1.4 million by obtaining prescription coverage for current employees through the New Jersey State Health Benefits Program (SHBP) instead of through a private insurance carrier. Rockaway advised in its corrective action plan that prescription benefits have been procured through the SHBP. The Township reported that it was aware of its options related to the procurement of health benefits and will review market activity and analyze the best option for the Township.

During our follow-up review, we found that in October 2023, the Township obtained prescription coverage for current employees through the SHBP instead of through a private carrier resulting in cost savings. Rockaway provided a financial analysis revealing that the change to the SHBP resulted in cost savings of approximately \$637,000 as of December 31, 2024.

We consider these recommendations implemented due to the actions taken by the Township.

**Recommendation 11**

*Eliminate duplicate prescription insurance coverage to Township retirees.*

***Status: Implemented***

Our 2023 Audit found that the Township wasted \$3.1 million by providing duplicative prescription plan coverage to retirees. Rockaway advised in its corrective action plan that, effective October 1, 2023, the Township had only one provider of medical and prescription benefits for active employees and retirees, that is the SHBP. The Township stated that it would review its health and prescription plans each year, considering advice from its insurance consultant, legal counsel, the mayor, and council and decide whether to change plans based on cost, plan features, and services for both current employees and retirees.

During our follow-up review, we found that the Township eliminated duplicate prescription coverage to retirees in 2023. Rockaway provided a financial analysis showing that this action resulted in cost savings of approximately \$755,000 as of December 31, 2024.

We consider this recommendation implemented due to the actions taken by the Township.

**Recommendation 12**

*Develop policies and procedures for the payroll department that require the timely submission and verification of Time-Off/Payroll Exceptions forms. The policy should require that the Time-Off/Payroll Exceptions forms accurately document supplemental hours worked, provide justification for the supplemental work performed, and contain appropriate approval signatures prior to payment of supplemental pay.*

***Status: Partially Implemented***

Our 2023 Audit found that Rockaway did not consistently follow its own policies and procedures when authorizing and paying supplemental wages. Rockaway advised in its corrective action plan

that its Manual outlines the timeframe to submit time-off/payroll exceptions. To further strengthen the policy, the Township reported that it was in the process of creating a document with clear and concise instructions addressing the process for requesting time off.

During our follow-up review, we found that the Township developed a policy that requires the timely submission and verification of time-off/payroll exception forms. We judgmentally<sup>3</sup> selected a sample of ten employees' overtime payments over various pay periods to test for compliance with the policies and found that controls were generally in place. However, we discovered that an administrator had approved their own overtime. During our review, we noted that on January 1, 2025, after the audit period, this employee's job title changed to a position that is exempt from overtime. Proper segregation of duties and internal controls require approval from a secondary employee. We urge the Township to ensure that all overtime is approved by a secondary employee with authority in all circumstances.

While the Township has made meaningful progress overall and taken steps to improve its processes, we consider this recommendation partially implemented because an employee approved their own overtime.

### **Recommendation 13**

*Develop and implement a process to report the status of each ongoing capital project to the governing body. This report should include information such as the adoption date of the ordinance, project expenditures to date, unspent project appropriations, and the project's anticipated completion date.*

#### ***Status: Implemented***

Our 2023 Audit found the Township's capital project funds, many of which were authorized over 20 years ago, remained unused. Rockaway advised in its corrective action plan that the Township has and continues to review capital project progress and respective ordinance balances. Progress reports are provided by the business administrator, chief financial officer, and/or engineer at bi-monthly council meetings as needed.

During our follow-up review, we found the Township provides a monthly financial report to the Council. These financial reports include a schedule detailing ongoing capital projects. The schedule provides information about each project, including the ordinance number, year of adoption, funded and unfunded balances, expenditures to date, and unspent project appropriations.

We consider this recommendation implemented due to the actions taken by the Township.

### **Recommendation 14**

*Perform and document a review of capital project balances greater than five years old to determine if unencumbered and unexpended balances remain necessary for*

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<sup>3</sup> Judgmental sampling is a non-statistical sampling method in which the auditor uses professional judgement to select a sample based on various factors, including but not limited to, relevance to the audit objective, potential risk, materiality, and representation of the population.

*their original purpose. Repurpose unneeded capital balances in a manner allowable under law.*

***Status: Implemented***

Our 2023 Audit found that the Township had \$10.1 million in unspent and unencumbered funds related to projects authorized more than five years ago. Rockaway advised in its corrective action plan that the Township's business administrator and chief financial officer, in consultation with department heads, review ordinance reports and determine when to cancel or repurpose debt.

During our follow-up review, we conducted an analysis of capital project balances greater than five years old. We found a significant reduction in the amount of unencumbered and unexpended balances between December 2021 and September 2025. The balances decreased from \$14 million to \$3.8 million during this time, representing a reduction of \$10.2 million or 73 percent. The Township also provided several examples of outstanding balances being repurposed or canceled.

We consider this recommendation implemented due to the actions taken by the Township. We encourage the Township to continue reviewing and disposing of these balances as needed.

**Recommendation 15**

*Seek advice from the Township attorney or auditor for allowable methods to dispose of the trust and utility assessment funds surplus balances, select the method most beneficial to the Township's taxpayers, and dispose of surplus balances.*

***Status: Implemented***

Our 2023 Audit found that surplus balances existed in the Township's trust assessment and utility trust assessment funds of \$1.9 million and \$112,000, respectively.

During our follow-up review, we found that the Township's 2023 audit report disclosed that the administration began a multi-year plan to utilize the trust assessment fund surplus balances. The funds have been utilized as revenue, thereby offsetting tax increases over multiple years and returning funds to taxpayers. The Township's 2024 audit showed the trust assessment fund balance was approximately \$950,000, representing a decrease of almost \$1 million since the original audit.

We consider this recommendation implemented due to the actions taken by the Township.

**Reporting Requirements**

We provided a draft of this report to Rockaway for their review and comment. Their response was considered in preparing our final report and is attached as Appendix A.


We recognize the Township's efforts and encourage full implementation of all outstanding recommendations. While Rockaway contested the partial implementation status of

recommendations 6 and 12 in its response, we maintain the findings as documented in this report. Further, we emphasize that Rockaway is required to comply with the LPCL, specifically N.J.A.C. 5:34-2 and N.J.S.A. 40A:11-15(6), which mandate re-procurement of insurance contracts every three years.

We thank the management and staff of Rockaway for the courtesies and cooperation extended to our auditors during this follow-up review. This report will serve as our final review pertaining to the 2023 audit recommendations discussed herein.

Sincerely,

SHIRLEY U. EMEHELU  
ACTING STATE COMPTROLLER

By:   
Christopher Jensen, CPA  
Director, Audit Division

#### Attachment

- c: Howard Morrison, Council President, Township of Rockaway
- Lisa Palmieri, Business Administrator/Chief Financial Officer, Township of Rockaway
- Jacquelyn A. Suárez, Commissioner, Department of Community Affairs
- Michael F. Rogers, Director, Department of Community Affairs, Division of Local Government Services
- Kathleen Long, Deputy Director, Department of Community Affairs, Division of Local Government Services
- Nada Akmal, Assistant Director, Financial Regulations, Department of Community Affairs, Division of Local Government Services
- Jorge Carmona, Bureau Chief, Department of Community Affairs, Division of Local Government Services



SINCE 1844

## ROCKAWAY TOWNSHIP

65 MOUNT HOPE ROAD, ROCKAWAY, NEW JERSEY 07866

DEPARTMENT OF ADMINISTRATION & FINANCE

Joe Jackson, Mayor

Lisa Palmieri, Chief Financial Officer/Business Administrator

February 26, 2026

Office of the State Comptroller, Audit Division

Attn: Daniel Rosenberg, Auditor-In-Charge

Re: Township of Rockaway, County of Morris – Official Response to OSC Follow-Up Review

On behalf of the Township of Rockaway, please accept this correspondence as our formal response to the two recommendations noted as “partially implemented” by the State Comptroller in their follow-up review.

***Recommendation #6 – Comply with the requirements of the Local Public Contracts Law, including N.J.A.C. 5:34-2 for the procurement of insurance and insurance services.***

In reference to Recommendation #6, while the Audit Team has admitted that the Township’s insurance procurement practices have improved since the initial review in 2023, it has found that “significant issues” remain to be addressed. This finding resulted in the Audit Team’s conclusion that the team’s recommendations have been “partially implemented”. We respectfully disagree that the issues identified are significant and we further disagree that the circumstances giving rise to the Audit Team’s conclusions constitute “issues” at all.

The Township has legally taken advantage of a long-term price freeze and has reduced the chances of a price increase, by passing an award Resolution for vision coverage over a 48-month period in 4 consecutive one-year contracts. As such, each contract “term” as set forth in NJSA 40A:11-15(6) expires in one year. In fact, the state’s local public contract’s law does not aggregate insurance contracts either in time or in dollars as it does in construction contracts. The actions taken by the Township have benefited our tax payers by holding insurance premiums flat and eliminating the need for a tax increase.

The Audit Team expressed their understanding of the Township’s attempt to secure a long-term price freeze guaranty for the benefit of taxpayers. Under the circumstances, we contest the “partially implemented” classification that has been applied to this issue.

***Recommendation #12 – Develop policies and procedures for the payroll department that require the timely submission and verification of Time-Off/Payroll Exception forms. The policy should require that the Time-Off/Payroll Exception forms accurately document supplemental hours worked, provide justification for the supplemental work performed, and contain appropriate approval signatures prior to the payment of supplemental pay.***

In reference to Recommendation #12, the Audit Team noted one instance out of ten individuals selected where the Court Administrator approved his own overtime. As of January 1, 2025, the Court Administrator is no longer a member of the Union Council 8 Collective Bargaining Unit and is now classified as “Exempt”. An employee who is classified as “Exempt” is not entitled to overtime, and therefore this recommendation should be considered “implemented” by the Audit Team.

As the audit has not revealed any other Township employees who are in a position to approve their own overtime, and as the single instance involving the Court Administrator has been permanently rectified, there is no reason for this recommendation to be identified as anything other than fully implemented.

It should also be noted that administration of Municipal Court staff resides solely with the Judge and the New Jersey Administrative Office of the Courts. Township administration has no authority over the Court or the Judge.

In conclusion, we appreciate the opportunity to respond and clarify the issues noted in the Comptrollers follow-up review. The Township administration along with the mayor and council will continue to work together to provide outstanding services to our residents and business owners.