

New Jersey State Commission of Investigation



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Immediate Release**

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SCI FINDS CONTRACT IRREGULARITIES, LAX OVERSIGHT AND CONFLICTS IN ONLINE TAX SALE PROGRAM

TRENTON – A private vendor selected under unusual circumstances has effectively monopolized the operation of valuable online (i.e. Internet-based electronic) tax lien auctions in municipalities across New Jersey based upon a deal arranged without competitive bidding, the State Commission of Investigation found in a report issued today.

The Commission reported that state officials invited the vendor to participate directly in drawing up the terms of a lengthy and ongoing pilot program under which the firm and its partner ultimately would benefit. In addition, although the partner company is not the official vendor of record and serves essentially as a subcontractor, it

nonetheless conducts the online auctions and thus far has retained most of the revenue gained under the program.

Further, the State, through the Department of Community Affairs (DCA), failed to conduct more than minimal due diligence, leaving local officials in the dark about the background, corporate structure and ownership of this partner company. Evidence also suggests discrepancies, including apparent conflicts of interest, in the promotion of the partner firm among public officials responsible for tax sales at the local level.

In response to these findings, the Commission recommended a series of statutory and administrative reforms aimed at ensuring the integrity of the online lien auction process, which demonstrably has enabled municipal governments to meet statutory responsibilities with greater efficiency. Among other things, the Commission called for an immediate evaluation of the online auction pilot program; requiring open competition for the selection and approval of online tax auction vendors and contracts; providing adequate guidance to local governments; and strengthening vendor ownership disclosure requirements.



The State Commission of Investigation is an independent New Jersey watchdog agency established in 1968 to investigate organized crime and corruption, waste of tax money and other abuses of the public trust. Copies of public reports are available at the Commission's offices or via its Website at www.state.nj.us/sci.