New Jersey State Legislature
Office of Legislative Services
Office of the State Auditor

Prosperity New Jersey
Incorporated

February 1, 2005 to December 31, 2006

Richard L. Fair
State Auditor
The Honorable Jon S. Corzine  
Governor of New Jersey

The Honorable Richard J. Codey  
President of the Senate

The Honorable Joseph J. Roberts, Jr.  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Prosperity New Jersey, Incorporated for the period of February 1, 2005 to December 31, 2006. If you would like a personal briefing, please call me at (609) 292-3700.

Richard L. Fair  
State Auditor  
April 3, 2007
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Prosperity New Jersey
Incorporated

Scope

We have completed an audit of Prosperity New Jersey, Incorporated (a nonprofit organization) for the period February 1, 2005 to December 31, 2006. The financial activity for Prosperity New Jersey (PNJ) is recorded in off-line accounts and is not presented as part of the state’s annual financial report. Our audit included Prosperity New Jersey’s financial records.

Prosperity New Jersey was created by Executive Order #38 in 1995 as a private/public partnership whose prime responsibility is to serve as an umbrella organization which would help foster, promote, and strengthen economic activity, job creation, and the overall business climate in New Jersey. Expenditures and interest income for the audit period were $707,000 and $36,000, respectively. PNJ has not received any grant funding from the state since fiscal year 2004, and they did not receive any private contributions during the audit period. As a result of losing their state grant, PNJ reduced its staff from five to three full-time employees and eliminated a part-time paid internship. As of July 2006 to the close of our audit, one employee remained and the expenses of PNJ were paid with residual donated funds.

Objectives

The objectives of our audit were to determine whether financial transactions were reasonable, were related to PNJ’s programs, and were recorded properly in the accounting system.

This audit was conducted pursuant to the State Auditor’s responsibilities as set forth in Article VII, Section 1, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.
Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our testing, we studied legislation, and policies and procedures of PNJ. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our samples of financial transactions. We also read the budget message, reviewed financial trends, and interviewed PNJ personnel to obtain an understanding of the programs and the internal controls.

We examined all financial transactions to provide conclusions about the validity of transactions as well as internal control and compliance attributes.

Conclusions

Our audit found an absence of board oversight, a lack of communication between PNJ management and the board, a lack of segregation of duties, a lack of independent bank reconciliations, and other internal control weaknesses. These deficiencies increase the risk that errors or irregularities could occur and not be detected in the normal course of business. We questioned the reasonableness of $142,000 of non-payroll expenditures. Because of these weaknesses and the fact that the functions of PNJ can be performed by other state agencies, we recommend that Prosperity New Jersey be dissolved. On January 8, 2007 the Board of Trustees met and approved the plan for the dissolution of PNJ. The disposition of any residual assets should be in accordance with the guidelines for a nonprofit organization.

We reviewed all expenditure transactions for our audit period of February 1, 2005 through December 31, 2006. Our tests of the $707,000 expenditure transactions revealed the following:

- PNJ's payroll expenditures were processed through the New Jersey Commerce, Economic Growth and
Tourism Commission's payroll system. The reimbursements for employee salaries did not include the fringe benefit costs. During our audit period salary costs totaled $399,000 and the related fringe benefit costs would have been $102,000. Additional unrecovered fringe benefit costs may exist for periods prior to February 2005.

- Non-payroll expenditures totaled $308,000 for the audit period. We identified $142,000 as unreasonable or questionable. Several of the more significant items are described below.

On April 7, 2005 PNJ paid a $27,780 invoice for legal services provided from March 1, 1997 to February 28, 2005. Detail support for all line item charges did not accompany the bill. We requested the supporting documentation from the law firm. The firm was unable to provide the information and they submitted a refund check in the amount of $27,780 on January 5, 2007.

PNJ sponsored a women's conference in April 2006 costing $58,000. The Department of Community Affairs (DCA) sponsors a Women's Conference yearly through the Division on Women. The DCA conference is self funded through sponsorship and individual registration fees; whereas, PNJ incurred the entire cost of its conference. The $58,000 could have been saved if Prosperity New Jersey coordinated their efforts with the Division on Women.

Eight of the 46 vendors used by Prosperity New Jersey were from states other than New Jersey which appears
to be in conflict with their mission. These expenditures totaled $24,000.

- In accordance with Internal Revenue Service Regulations, PNJ is required to issue statements of miscellaneous income (form 1099) for payments to individuals other than employees who have rendered services in excess of $600 annually. Our review found that PNJ did not issue 1099s to three individuals for 2004 and 2005.
March 30, 2007

Mr. Thomas R. Meseroll
Assistant State Auditor
Office of Legislative Services
P.O. Box 067
Trenton, NJ 08625

Dear Mr. Meseroll:

I am in receipt of your audit report of the Prosperity New Jersey, Incorporated covering the period February 1, 2005 to December 31, 2006.

I have reviewed the report in-depth. All of the recommendations within the report have been implemented or are in the process of being implemented.

Sincerely,

Virginia S. Bauer
Secretary and CEO