EXECUTIVE SUMMARY

DEPARTMENT OF THE TREASURY
DIVISION OF RATE COUNSEL

Our audit found the financial transactions included in our testing were related to the division’s programs, were reasonable, and were recorded properly in the accounting system. Additionally, we found overall the division is making efficient use of its consultants. In making these determinations, we noted internal weaknesses in the procurement process and matters of compliance meriting management’s attention.

AUDIT HIGHLIGHTS

- The division represents New Jersey ratepayers when a utility company files a petition for a change of a rate, toll, fare, or charge of a product or service. The division is granted a waiver of advertising so that a list of pre-qualified consultants can assist the division. Request for Proposals (RFPs) sent to prospective consultants by the division do not contain specific descriptions of work to be completed or a target time allotted, thereby impeding the division’s ability to monitor contract progress. Additionally, the division does not document vendor bid evaluations, justification for issuing multiple RFPs for the same case, or justification for use of a sole source vendor.

- Despite signed contracts that limit the payment amount, additional funding requests were approved although no approved changes were made to the scope of work. During our audit period, additional funding approvals increased consultants’ spending authority by 31 percent, or $2.2 million. Additionally, while reviewing contracts requesting additional funding, we found the division used several generic contracts with various consultants where the contract scope and limitations initially agreed upon in the RFP differed from work being performed. The additional work should have been subject to the RFP process and competitively bid. We found eight generic contracts approved for 58 additional funding requests with total payments of approximately $2.5 million.

- Two consultants on the approved waiver list subcontracted work to businesses not registered with the Division of Revenue and Enterprise Services. Additionally, the division paid fees in excess of what the consultants paid for the subcontracted work.

- The division did not document its billing review procedures to include guidance for reviewers to compare bills to case objectives and progress. We found $105,000 in payments containing vague descriptions of work completed, mathematical errors, and expenses ineligible for reimbursement. Additionally, $241,000 of work was performed prior to receiving approved requests for additional funding.

AUDITEE RESPONSE

Except for the finding regarding funding for litigation, the Division of Rate Counsel concurs with our findings and recommendations.

For the complete audit report, click here.