



State of New Jersey

OFFICE OF THE STATE COMPTROLLER
P.O. Box 024
TRENTON, NJ 08625-0024

CHRIS CHRISTIE
Governor
KIM GUADAGNO
Lt. Governor

A. MATTHEW BOXER
State Comptroller

October 19, 2010

Contact: Pete McAleer
609-984-2888

State Comptroller audit finds \$43 million in waste at NJ Turnpike Authority

Audit finds the Turnpike Authority wasted toll dollars on items ranging from an employee bowling league to employee bonuses for working on birthdays

The New Jersey Turnpike Authority squandered tens of millions of dollars on unnecessary perks, unjustified employee bonuses, inappropriate sick leave payouts and a poorly managed health benefits plan, according to an audit released today by the Office of the State Comptroller (OSC).

The audit found that the Turnpike Authority granted approximately \$30 million in bonuses to its employees and management in 2008 and 2009 without consideration of performance. For example, in addition to paying employees overtime for removing snow and working holidays, the Turnpike Authority gave out additional “snow removal bonuses” and “holiday bonuses.” Employees that belonged to one collective bargaining unit were also paid bonuses for working on their birthday.

Public toll dollars were also used, the audit found, to set up an employee relations account that paid the costs to sponsor an employee bowling league (\$12,000), provide scholarships for children of authority employees (\$89,000) and cover costs for a toll operators event that none of the authority’s employees actually attended (\$10,000). Turnpike Authority employees also received free E-Z Pass transponders to commute to and from work without incurring the cost of any tolls on the Turnpike or Parkway, at an estimated annual cost of \$430,000.

Contrary to standard practice for New Jersey state workers, Turnpike Authority employees are also given the option to cash out a portion of their unused sick and vacation days at the end of each year. In doing so, the audit found, Turnpike Authority employees are effectively able to circumvent the current \$15,000 limit for sick leave payouts upon retirement. During 2008 and 2009, the authority expended a total of \$3.8 million for annual sick leave payouts.

The OSC audit also found the Turnpike Authority could have saved millions of dollars if it had participated in the State Health Benefits Program instead of using a private carrier for health insurance. Specifically, had it used the state plan from 2007 to 2010 the authority could have saved up to \$12.8 million. Instead, the authority never performed a comparative analysis to determine which health plan was most cost-effective. During the course of OSC's audit, the authority hired a firm to perform such an analysis.

In addition, a review of the Turnpike Authority's law department found a failure to exercise adequate oversight of outside contracts led to the authority paying \$224,168 for legal services that were improperly billed. Among the billings were \$111,840 for a law firm's weekly internal status meetings that were generally attended by 10 to 14 of the firm's attorneys and two to three of its paralegals.

State Comptroller Matthew Boxer noted that the Turnpike Authority increased tolls on the New Jersey Turnpike and Garden State Parkway in December 2008 and voted to raise them again in 2012. "While tolls are going up, the Turnpike Authority is overpaying its employees, overpaying its management, overpaying for its health plan and overpaying for legal services," Boxer said.

The \$30 million in employee bonuses and payouts discussed in the audit were revealed following a review of 10 of the authority's collective bargaining agreements. All 10 agreements will expire at various points in 2011. The non-performance based bonuses included:

- \$1.4 million to provide a "separation bonus" for employees who leave the authority after 10 or more years.
- \$274,000 to provide annual "anniversary bonuses" to part-time toll collectors after the completion of their fourth year of employment.
- \$268,000 to provide "snow removal bonuses" - in addition to overtime pay - for employees who remove snow from the authority's roadways.
- \$226,000 to provide bonuses - in addition to time and a half or double pay - for employees who work holidays.
- \$227,000 to provide bonuses to employees who work on their birthday.

The cumulative effect of the bonuses on employee earnings was, in some instances, dramatic. For example, the audit details how a Turnpike Authority property inspector who retired in 2008 with a base salary of \$73,469 actually received \$321,985 that year when all payouts and bonuses are included.

Although their compensation is not governed by the collective bargaining process, management at the authority also benefitted from many of these same bonuses and payouts, the audit found. Specifically, at-will authority employees received approximately \$3 million in non-performance based bonuses in 2008 and 2009. As a result, the total compensation provided to the authority's Executive Director in 2009 exceeded the Governor's annual salary of \$175,000 – and four members of authority management received total compensation that exceeded the salary for the Commissioner of the New Jersey Department of Transportation.

“Rather than set an example, management at the Turnpike Authority chose to piggyback off of the generous bonuses and payouts it agreed to provide its employees,” Boxer said. “In doing so, it compromises its ability to objectively represent the interests of the public when negotiating these union contracts.”

In total, the OSC report makes 17 specific recommendations to improve the authority's operating practices.