

CRDA criticized for fiscal mismanagement in state audit report

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The Casino Reinvestment Development Authority was sharply criticized in a state audit for its fiscal management, which exposed deficient processes and millions of wasted dollars on a number of recent contracts, including those with the Miss America Organization, the Tanger Outlets and the Beach Concert Series.

The 29-page performance audit, the first in CRDA's 34-year existence, also found that CRDA failed to monitor the performance of its contract partners, resulting in lost revenue and product. The report, which was released Tuesday, additionally noted that some contracts were modified without board approval.

Board Chairman Robert E. Mulcahy responded to the audit's findings on behalf of the CRDA by way of a letter dated Aug. 21.

"We welcome the OLS's (Office of Legislative Services) examination and critique of our operations and financial status, and the Authority will continue to seek opportunities to improve our processes so that we may better serve our stakeholders," Mulcahy wrote.

Gov. Phil Murphy, who received a copy of the audit, deferred comment to the CRDA. State Sen. Steve Sweeney, who also received a copy of the report, declined to comment.

State Auditor Stephen M. Eells said a three-member team conducted the audit over the course of nearly 17 months.

The scope of the performance audit covers the period of Jan. 1, 2014 to Dec. 31, 2017.

"If you read the response (from CRDA) there's already a lot of corrective action being taken, and that's a good thing," Eells said Wednesday. "But if there had been better controls in place maybe there would have been a better ending here."

CRDA's agreement with MAO was criticized for failing to "develop and institute monitoring controls" to gauge performance measures.

"Performance should be measured, when applicable, and reviewed to determine whether funds were spent in an efficient and effective manner and used as a basis for future contracts," the audit stated.

A modified contract with the developer of the Tanger Outlets The Walk also came under fire for not receiving proper board authorization. Original project financing and grants were modified as such that CRDA will pay \$18.7 million in excess of the original board-approved terms.

The three-year agreement for annual beach concerts in Atlantic City was also highlighted for overpayment of \$1.5 million of the board's original authorization.

Among the report's findings: certain transactions were not always "reasonable or properly" recorded in the accounting systems; the CRDA did not "always ensure an effective and efficient" use of its funds; the authority "lacked a process to monitor compliance with contract terms resulting in overpayments, lost revenue, and potentially lost deliverables, as well as not being able to use measurable results in future contract negotiations" and "improper uses of emergency procurement resulting in contracts being awarded to the highest bidder, improper approval of a direct investment project, improper calculation of sponsorship fees, and payment for board members' waived compensation; all resulting in potential overpayments."

CRDA was created in 1984 to spur economic and community development in Atlantic City and New Jersey with funding from a portion of casino taxes.