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New Study: A Review of NJ's Oversight of Third-Party Contractors

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FOR IMMEDIATE RELEASE

RUTGERS STUDY FINDS SYSTEMIC LACK OF EFFECTIVE OVERSIGHT OF CONTRACTORS WITH THE STATE, RECOMMENDS IMPROVEMENTS TO THE PROCESS

NEW BRUNSWICK, N.J. – According to a new study released today by Rutgers, The State University of New Jersey, the state of New Jersey is placing some of its most vulnerable people – children, the disabled, and the elderly – at unnecessary risk by lacking oversight of its third-party contractors. The study, *Overlooking Oversight: A Lack of Oversight in the Garden State is Placing New Jersey Residents and Assets at Risk*, shows how this state of affairs came to be over many years, under both Democratic and Republican leadership, and makes policy recommendations to remedy the situation.

"While contracting taps into special expertise and can be an important tool for government when done well, research tells us that to be effective, contracts must be well-designed and carefully managed," said Dr. Janice Fine, professor at Rutgers School of Management and Labor Relations, and co-author of the report. "Because these services are taxpayer funded, we also have an interest in the cost of their provision. This study raises serious questions about the state's capacity to make sure its residents receive safe, quality services and taxpayers' money is not wasted."

Overlooking Oversight is a first-of-its-kind review of New Jersey's structure and capacity to provide oversight of third-party contractors. For close to three years, researchers analyzed New Jersey statutes, regulations, executive orders, government circulars, organization charts, service contracts and RFPs, news articles, and select reports from the Office of the State Comptroller, and interviewed current and former state employees, as well as outside experts.

The research strongly suggests that government capacity to provide adequate and effective oversight has dwindled due to the stripping out of experienced state contract managers and the overloading of those who remain, in addition to minimal specifications of contract terms, the presence of unqualified contract managers, weak performance requirements, and missing benchmarks. Key findings include:

- Structural deficiencies in state oversight – No agency within the state appears to have the capacity and competence to provide effective contract oversight. Many oversight processes are not subject to formal rules, and the budget process does not build in the cost of oversight.
- Insufficient contract language – Contracts typically include weak performance requirements and standards, and they do not include adequate penalties to hold contractors accountable for poor performance.
- Significant neglect of on-the-ground oversight – State contracting is typically done without regard for contract costing, and New Jersey lacks an adequate number of trained staff to provide oversight.

"States provide a broad array of services that dramatically affect our lives, from child protection and the treatment of the disabled to prisons that protect us from harm as well as maintaining infrastructure," explained Dr. Patrice Mareschal, professor at Rutgers Department of Public Policy and Administration and co-author of the study. "It is critical that we address the weaknesses in the state's capacity to oversee third-party contracts."

The researchers recommend a redesign of the state's contracting process. This includes the requirement of sufficient resources, new contract management requirements, greater transparency, and the development of appropriate data systems.

"Regardless of how one feels about outsourcing, we can all agree that oversight is critical to making sure taxpayers are getting what they pay for," said Donald Cohen, executive director of In the Public Interest, a national public interest organization that looks closely at contracting practices across the United States. "This report reveals a stunning lack of oversight which has led to heartache and abuse for thousands of Garden State residents. ITPI urges New Jersey and all states to take Dr. Fine and Dr. Mareschal's recommendations to heart."

[Click here to view the full report.](#)

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Rutgers' School of Management and Labor Relations is the leading source of expertise on the world of work, building effective and sustainable organizations, and the changing employment relationship. The school is comprised of two departments—one focused on all aspects of strategic human resource management and the other dedicated to the social science specialties related to labor studies and employment relations. In addition, SMLR provides many continuing education and certificate programs taught by world-class researchers and expert practitioners.

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Contact:

Renée Walker

Director of Communications

Rutgers School of Management and Labor Relations

rwalker@smlr.rutgers.edu

848-445-7582

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