

# ASSEMBLY, No. 5006

## STATE OF NEW JERSEY 219th LEGISLATURE

INTRODUCED NOVEMBER 19, 2020

**Sponsored by:**

**Assemblywoman LINDA S. CARTER**

**District 22 (Middlesex, Somerset and Union)**

**SYNOPSIS**

Requires Division of Taxation conduct audits of out-of-State contractors that have entered into State and private contracts.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT concerning audits of certain State contractors and  
2 supplementing chapter 18A of Title 52 of the Revised Statutes.

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4 BE IT ENACTED by the Senate and General Assembly of the State  
5 of New Jersey:

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7 1. a. The Division of Taxation shall be responsible for  
8 conducting audits of out-of-State contractors that have entered into  
9 a State contract with a contracting agency or a private contract. The  
10 audits shall include:

11 (1) a determination that administrative expenses related to the  
12 State or private contract have been properly allocated and are  
13 reasonable;

14 (2) a review of the internal financial controls related to the State  
15 or private contract; and

16 (3) a review of the annual financial report of the out-of-State  
17 contractor.

18 b. The division shall submit the results of an audit of an out-of-  
19 State contractor to the contracting agency that awarded the State  
20 contract.

21 c. The division shall submit an annual audit report of all audits  
22 performed to the Governor, and the Legislature pursuant to section  
23 2 of P.L.1991, c.164 (C.52:14-19.1).

24 d. The division shall establish a toll-free information telephone  
25 hotline number through which persons may confidentially report  
26 suspected incidents of wrongdoing or other possible issues in  
27 connection with out-of-State contractors.

28 e. As used in this section:

29 "Contracting agency" means the State or any board, commission,  
30 committee, authority or agency of the State which possesses the  
31 legal authority to award and make contracts.

32 "Out-of-State contractor" means a contractor or subcontractor  
33 that provides goods or services to a State agency and whose  
34 principal place of business is located outside of this State.

35 "State contract" means any purchase, contract or agreement the  
36 cost or contract price of which is to be paid, in whole or in part,  
37 with or out of State or contracting agency funds.

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39 2. This act shall take effect immediately.

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42 STATEMENT

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44 To ensure that out-of-State contractors are capable of handling  
45 the State or private contract they were awarded, the State should  
46 perform audits of those contractors.

47 This bill requires the Division of Taxation to conduct audits of  
48 out-of-State contractors. The audits would be related to the State or

1 private contract awarded to the contractors and would include: (1) a  
2 determination that administrative expenses have been properly  
3 allocated and are reasonable; (2) a review of the internal financial  
4 controls; and (3) a review of the annual financial report of the out-  
5 of-State contractor. The division would also establish a toll-free  
6 hotline number through which persons may confidentially report  
7 suspected incidents of wrongdoing or other possible issues in  
8 connection with out-of-State contractors.

9 The division would submit the results of an audit of an out-of-  
10 State contractor to the contracting agency that awarded the State  
11 contract. The division would also submit an annual audit report to  
12 the Governor and the Legislature.