

OIFP's Budget for Fiscal Year 2006 by Ray Shaffer

In accordance with N.J.S.A. 17:33A-30, OIFP operations are funded through an assessment on the insurance industry. It should be noted that although the Medicaid Fraud Section is a part of OIFP, monies derived from the assessment on the insurance industry do not fund the Medicaid Fraud Section. Rather, the Medicaid Fraud Section is funded by a federal grant that provides 75% federal funding and requires the State to provide a 25% State match from Direct State Services (DSS) funds.

OIFP operating costs consist of expenses incurred directly by OIFP staff, as well as expenses for services, facilities, and equipment shared jointly with the Division of Criminal Justice (DCJ) and the Department of Law and Public Safety, but benefitting OIFP staff and OIFP operations. By sharing these common services with DCJ and the Department of Law and Public Safety, OIFP is able to take advantage of economies of scale and thereby reduce its overall operating budget.

In order to ensure that there is transparency, accountability, and fiscal integrity in all expenditures of industry monies, the Insurance Fraud Prosecutor has implemented a Cost Allocation Plan which precisely identifies all support services provided by DCJ to OIFP and documents a fair methodology for assessing costs associated with those expenses. A summary of the Cost Allocation Plan and quarterly expense reports are posted on OIFP's Web site so that the insurance industry, as well as the general public, will have continuous access to OIFP's fiscal reports.

In accordance with the 2005 State Auditor Report, it is appropriate for DCJ personnel who provide various support services to OIFP to be paid out of OIFP funds. See

Ray Shaffer is the OIFP Administrative Liaison and assists the Insurance Fraud Prosecutor in the day-to-day administrative management of OIFP by working closely with the Division of Criminal Justice's Administrative Bureau. He had been part of the DCJ Administrative Bureau for 27 years before coming to OIFP in 2005.

State Auditor Report for the Department of Law and Public Safety, Division of Criminal Justice, Office of the Insurance Fraud Prosecutor, issued July 15, 2005. Such services include administrative, legal, and investigative support. The Annual Cost Allocation Plan details the following four levels of support provided by DCJ to OIFP: Administrative Support, Professional Support, Intermittent Support, and Non-Salary Costs.

■ Administrative Support

Due to the nature of administrative work in such areas as Human Resources, Fiscal and Budget, Facilities, and IT Services, it is difficult to differentiate between those services provided to OIFP and those services provided to other sections within DCJ. The Cost Allocation Plan provides that administrative salary costs are to be allocated based on a ratio of the number of OIFP staff to the number of DCJ staff. At the beginning of each fiscal year (July 1), this percentage is determined and applied to the salaries and fringe benefits costs of those sections classified as providing administrative support to OIFP for that fiscal year.

■ Professional Support

DCJ provides a number of services that are needed to allow the criminal component of OIFP to better investigate and prosecute insurance fraud. Evidence Storage, State Grand Jury, and Records and Identification Sections, among others, allow OIFP to use resources already in place rather than create its own separate resource providers. In order for OIFP to pay for its fair share of those shared criminal resources, at the beginning of each fiscal year, the Cost Allocation Plan details a formula to determine the percentage size of the criminal component of OIFP to that of DCJ. This percentage is then used for the upcoming fiscal year to pay the corresponding portion of staff salaries and fringe benefits costs for staff assigned to DCJ sections under this classification.

■ Intermittent Support

DCJ also provides a host of resources to OIFP on an as-needed basis. Extra manpower for search warrants, forensic computer analysis, handwriting analysis, and the installation of electronic surveillance equipment are a few examples of investigative support provided by DCJ to OIFP. In addition, OIFP relies on designated DCJ legal staff to handle its appeals, ethics inquiries, and forfeiture actions, among other legal tasks. Since these resources are used intermittently, DCJ has developed a new division-wide timekeeping system to enable OIFP to precisely track the amount of time spent by DCJ employees on OIFP activities. At the end of each fiscal quarter, time spent by non-OIFP staff on OIFP matters is calculated and OIFP reimburses DCJ for those costs.

The new timekeeping system also works in reverse, tracking the number of hours worked by OIFP staff on non-OIFP assignments. Given tight budget restrictions in the State and the increasing demands on statewide law enforcement, it is sometimes necessary for OIFP staff to provide support in implementing statewide DCJ initiatives. However, this does not mean that the insurance industry should pay for these non-insurance fraud related activities. The new tracking system allows both OIFP and DCJ to determine the number of hours worked by the respective staff members and reconcile the manpower costs on a quarterly basis.

■ Non-Salary Costs

In order for OIFP to accomplish its mission, it must have facilities and equipment available for its use. Items that are used solely by OIFP are purchased and maintained by OIFP. Items, such as buildings, computer networks, and phone systems, that OIFP shares with other sections within DCJ, are paid based on the percentage use of those resources by OIFP staff. The percentage size of OIFP as compared to DCJ is determined at the beginning of each fiscal year and that percentage is applied to those costs as they are incurred through the fiscal year.



OIFP Expenditure Report for Fiscal Year 2006

Personnel (Salaries and Fringe Benefits)		\$21,800,327.35
OIFP Staff Salaries and Fringe Benefits ¹	\$19,887,273.26	
DCJ Support Staff Salaries and Fringe Benefits ²	\$1,913,054.09	
Outside and Professional Services		\$4,894,587.83
County Prosecutor Reimbursement Program ³	\$2,905,699.84	
DOL Professional Support ⁴	\$1,600,000.00	
Expert Witness and Other Professional Services	\$146,152.30	
Transcription and Other Expenses	\$242,735.69	
Training, Trial and Investigative Travel Expenses⁵		\$20,904.71
Vehicles and Vehicle Maintenance		\$703,460.68
Fuel and Oil for OIFP Undercover Vehicles	\$79,734.80	
Undercover Vehicle Lease and Maintenance	\$122,821.52	
State's Central Motor Pool Vehicle Lease, Maintenance & Fuel ⁶	\$500,904.36	
Office Supplies, Services, Equipment and Maintenance		\$984,399.68
Household and Janitorial Supplies	\$10,413.55	
Maintenance of Equipment	\$42,665.63	
Office Equipment Purchases	\$80,172.30	
Other Supplies	\$198.34	
Printing and Office	\$90,039.35	
Postage	\$31,113.76	
Telephone	\$215,881.99	
Database Licensing Purchases and Maintenance	\$178,432.51	
State Mainframe Charges	\$36,924.14	
IT and Telephone Equipment Purchases and Maintenance	\$298,558.11	
Building Rent and Maintenance⁷		-\$1,121.88
Maintenance - Building	\$141.12	
Rent - Buildings	\$1,263.00	
Total OIFP Expenditures for Fiscal Year 2006		\$28,402,558.37
Less Prior Year Repayment of Non-OIFP Hours		-\$475,059.58
Total Net OIFP Expenditures for Fiscal Year 2006		\$27,927,498.79

¹ Includes Attorney, Investigator, Professional and Clerical staff working directly for OIFP.

² Cost of Shared Administrative and Criminal Support provided by DCJ per the FY2006 Cost Allocation Plan.

³ Funds provided to County Prosecutors' Offices as reimbursement for activities undertaken by those offices in connection with investigating and prosecuting insurance fraud. See N.J.S.A. 17:33A-28.

⁴ Civil Attorney Staff and Services provided by the Division of Law to litigate OIFP civil cases under the NJ Insurance Fraud Prevention Act. See N.J.S.A. 17:33A-1, et seq.

⁵ Includes witness transportation to and from trial.

⁶ Vehicle lease, fuel and maintenance for vehicles used by OIFP Investigators and Prosecutors to do field work and attend court appearances.

⁷ Includes rental of undercover facilities but does not include cost of building rent for OIFP's three regional offices which are billed separately by Treasury.

Fiscal Year = July 1 through June 30