STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2014

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

STATE OF NEW JERSEY

Year ended June 30, 2014

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KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

The Governor
State of New Jersey:

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of Federal awards (the schedule) of the State of New Jersey for the year ended June 30, 2014, and the related notes.

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2014, in accordance with the cash basis of accounting described in note 2.

KPMG

Basis of Accounting

We draw attention to note 2 to the schedule of expenditures of Federal awards, which describes the basis of accounting. The schedule of expenditures of Federal awards is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

As described in note 1 to the schedule of expenditures of Federal awards, the Schedule does not include expenditures of Federal awards for those entities determined to be component units of the State of New Jersey for financial statement purposes. These entities may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

KPMG LLP

Short Hills, New Jersey
April 6, 2015

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	$ 880,135	—
10.069	Conservation Reserve Program	208,880	205,284
10.156	Federal-State Marketing Improvement Program	62,713	62,713
10.163	Market Protection and Promotion	7,475	—
10.170	Specialty Crop Block Grant Program – Farm Bill	429,757	20,808
10.171	Organic Certification Cost Share Programs	13,794	—
10.304	Homeland Security – Agricultural	62,000	—
10.435	State Mediation Grants	7,887	—
10.458	Crop Insurance Education in Targeted States	205,317	—
10.475	Cooperative Agreements with States for Intrastate Meat & Poultry Inspection	111,421	—
	SNAP Cluster:		
10.551	Supplemental Nutrition Assistance Program (nonmonetary)	1,258,575,986	—
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	133,240,328	109,174,319
	Total SNAP Cluster	1,391,816,314	109,174,319
	Child Nutrition Cluster:		
10.553	School Breakfast Program	72,241,418	72,241,418
10.555	National School Lunch Program	234,405,817	234,405,817
10.556	Special Milk Program for Children	459,522	459,522
10.559	Summer Food Service Program for Children	8,041,040	7,701,792
	Total Child Nutrition Cluster	315,147,797	314,808,549
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	135,044,029	23,244,329
10.558	Child and Adult Care Food Program	68,500,597	67,547,445
10.560	State Administrative Expenses for Child Nutrition	5,671,849	—
	Food Distribution Cluster:		
10.565	Commodity Supplemental Food Program	208,882	205,000
10.568	Emergency Food Assistance Program (Administrative Costs)	1,675,549	1,017,686
10.569	Emergency Food Assistance Program (Food Commodities)	12,479,493	—
	Total Food Distribution Cluster	14,363,924	1,222,686
10.572	WIC Farmers' Market Nutrition Program (FMNP)	587,489	(4,510)
10.574	Team Nutrition Grants	128,624	128,624
10.576	Senior Farmers' Market Nutrition Program	834,279	27,345
10.578	WIC Grants to States (WGS)	1,123,654	—
10.579	Child Nutrition Discretionary Grant Limited Availability	127,020	28,448
10.582	Fresh Fruit and Vegetable Program	3,259,522	3,196,079
10.590	Disaster Relief Appropriations Act – Emergency Food Assistance Program (Administrative Costs)	75,200	59,968
10.591	Disaster Relief Appropriations Act – Emergency Food Assistance Program (Commodities)	1,302,950	—
10.664	Cooperative Forestry Assistance	1,274,841	269,646
10.676	Forest Legacy Program	93,661	—
10.680	Forest Health Protection	223,296	—
10.773	Rural Business Opportunity Grants	26,253	26,253
10.903	Soil Survey	20,000	—
10.913	Farm and Ranch Lands Protection Program	1,957,594	1,957,594
	Total U.S. Department of Agriculture	1,943,568,272	521,975,580
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	35,764	—
11.419	Coastal Zone Management Administration Awards	2,880,349	—
11.441	Regional Fishery Management Councils	924,924	—
11.463	ARRA – Habitat Conservation	139,322	—
11.472	Unallied Science Program	11,592	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	269,074	—
11.549	State and Local Implementation Grant Program	15,035	—
11.557	ARRA – Broadband Technology Opportunities Program (BTOP)	399,575	—
11.558	ARRA – State Broadband Data and Development	1,085,726	—
	Total U.S. Department of Commerce	5,761,361	—
	U.S. Department of Defense:		
12.217	Electronic Absentee Systems for Elections	50,976	—
12.401	National Guard Military Operations and Maintenance (O&M) Projects	32,163,230	—
12.UNA	Unassigned Catalog Numbers from Federal Government	2,276,189	—
	Total U.S. Department of Defense	34,490,395	—

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	U.S. Department of Housing and Urban Development:		
	CDBG – State-Administered CDBG Cluster:		
14.228	Community Development Block Grants/State's Programs and Non – Entitlement Grants in Hawaii	$ 11,401,749	10,683,193
	Total CDBG – State-Administered CDBG Cluster	11,401,749	10,683,193
14.231	Emergency Solutions Grants Program	3,509,233	3,347,880
14.235	Supportive Housing Program	1,265,625	—
14.238	Shelter Plus Care	1,600,176	—
14.239	Home Investment Partnerships Program	4,819,978	2,301,169
14.241	Housing Opportunities for Persons with AIDS	1,279,822	(384,076)
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR)	588,229,290	105,947,200
14.401	Fair Housing Assistance Program – State and Local	143,802	—
	Section 8 Project-Based Cluster:		
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	7,057,455	(1,160,644)
	Total Section 8 Project-Based Cluster	7,057,455	(1,160,644)
	Housing Voucher Cluster:		
14.871	Section 8 Housing Choice Vouchers	221,173,760	537,091
14.879	Mainstream Vouchers	364,211	—
	Total Housing Voucher Cluster	221,537,971	537,091
14.UNA	Unassigned Catalog Numbers from Federal Government	177,796	177,797
	Total U.S. Department of Housing and Urban Development	841,022,897	121,449,610
	U.S. Department of the Interior:		
	Fish and Wildlife Cluster:		
15.605	Sport Fish Restoration Program	4,265,998	—
15.611	Wildlife Restoration and Basic Hunter Education	1,921,620	—
	Total Fish and Wildlife Cluster	6,187,618	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act	108,187	—
15.615	Cooperative Endangered Species Conservation Fund	93,499	—
15.616	Clean Vessel Act	416,884	255,959
15.622	Sport Fishing and Boating Safety Act	307,343	295,815
15.630	Coastal Program	2,854	—
15.633	Landowner Incentive	238,658	238,658
15.634	State Wildlife Grants	1,265,617	—
15.657	Endangered Species Conservation – Recovery Implementation Funds	25,915	—
15.808	U.S. Geological Survey – Research and Data Collection	58,338	—
15.810	National Cooperative Geologic Mapping Program	176,981	—
15.814	National Geological and Geophysical Data Preservation Program	19,775	—
15.904	Historic Preservation Fund Grants-In-Aid	151,867	118,809
15.957	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	46,977	—
	Total U.S. Department of the Interior	9,100,513	909,241
	U.S. Department of Justice:		
16.017	Sexual Assault Services Formula Program	348,217	348,217
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	137,599	137,599
16.523	Juvenile Accountability Block Grants	752,365	642,135
16.523	Juvenile Accountability Block Grants Pass-Through – Camden County	11,139	—
16.523	Juvenile Accountability Block Grants Pass-Through – Essex County	61,759	—
16.523	Juvenile Accountability Block Grants Pass-Through – Passaic County	26,753	—
	Total Juvenile Accountability Block Grants	852,016	642,135
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	1,154,324	858,211
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	(495)	(495)
16.543	Missing Children's Assistance	517,141	—
16.548	Title V – Delinquency Prevention Program	50,000	47,500
16.550	State Justice Statistics Program for Statistical Analysis Centers	50,000	—
16.554	National Criminal History Improvement Program (NCHIP)	659,740	—
16.575	Crime Victim Assistance	10,509,281	8,723,631
16.576	Crime Victim Compensation	3,546,597	2,147,672
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	239,804	—
16.585	Drug Court Discretionary Grant Program	62,682	—
16.588	Violence Against Women Formula Grants	3,320,810	2,640,793
16.593	Residential Substance Abuse Treatment for State Prisoners	278,056	151,654
16.606	State Criminal Alien Assistance Program	4,014,190	—
16.607	Bulletproof Vest Partnership Program	331,978	—
16.609	Project Safe Neighborhoods	13,204	8,000
16.710	Public Safety Partnership and Community Policing Grants	1,402,950	—
16.727	Enforcing Underage Drinking Laws Program	137,060	124,064

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	JAG Program Cluster:		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	$ 6,823,525	4,738,454
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	658,910	—
	Total JAG Program Cluster	7,482,435	4,738,454
16.741	DNA Backlog Reduction Program	862,370	—
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	337,659	178,496
16.754	Harold Rogers Prescription Drug Monitoring Program	12,483	—
16.808	ARRA – Edward Byrne Memorial Competitive Grant Program	18,238	—
16.812	Second Chance Act Prisoner Reentry Initiative	442,634	14,082
16.813	NICS Act Record Improvement Program	1,099,581	—
16.816	John R. Justice Prosecutors and Defenders Incentive Act	170,501	—
16.CON	Contractual Agreements	19,055	—
	Total U.S. Department of Justice	38,070,110	20,760,013
	U.S. Department of Labor:		
17.002	Labor Force Statistics	1,941,695	—
17.005	Compensation and Working Conditions	381,506	—
	Employment Services Cluster:		
17.207	Employment Service/Wagner-Peyser Funded Activities	21,246,735	1,083,784
17.801	Disabled Veterans' Outreach Program (DVOP)	2,292,374	—
17.804	Local Veterans' Employment Representative Program	823,893	—
	Total Employment Services Cluster	24,363,002	1,083,784
17.225	Unemployment Insurance – Federal	153,847,748	—
17.225	ARRA – Unemployment Insurance – Federal	5,574	—
17.225	Unemployment Insurance – State	3,003,924,691	—
	Total Unemployment Insurance	3,157,778,013	—
17.235	Senior Community Service Employment Program	2,629,389	—
17.245	Trade Adjustment Assistance	5,379,838	—
	WIA Cluster:		
17.258	WIA Adult Program	26,072,944	19,909,805
17.259	WIA Youth Activities	19,024,431	19,024,431
17.278	WIA Dislocated Worker Formula Grants	30,015,853	22,392,517
	Total WIA Cluster	75,113,228	61,326,753
17.261	WIA Pilots, Demonstrations and Research Projects	320,789	319,286
17.271	Work Opportunity Tax Credit Program (WOTC)	280,485	—
17.273	Temporary Labor Certification for Foreign Workers	634,475	—
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	972,977	901,911
17.277	Workforce Investment Act (WIA) National Emergency Grants	10,000,563	7,864,583
17.503	Occupational Safety & Health – State Program	2,256,191	—
17.504	Consultation Agreements	1,698,234	—
17.600	Mine Health and Safety Grants	(1,130)	—
	Total U.S. Department of Labor	3,283,749,255	71,496,317
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	378,837	—
	Highway Planning and Construction Cluster:		
20.205	Highway Planning and Construction	949,409,541	190,130,791
20.205	ARRA – Highway Planning and Construction	21,986,845	—
20.219	Recreational Trails Program	1,494,616	1,390,326
	Total Highway Planning and Construction Cluster	972,891,002	191,521,117
20.218	National Motor Carrier Safety	5,566,591	—
20.231	Performance and Registration Information Systems Management	76,026	—
20.232	Commercial Driver License Program Improvement Grant	676,824	—
20.234	Safety Data Improvement Program	184,798	—
20.237	Commercial Vehicle Information Systems & Networks	276,159	—
20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant	262,492	—
20.505	Metropolitan Transportation Planning	124,811	—

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Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	Highway Safety Cluster:		
20.600	State and Community Highway Safety	$ 4,529,392	2,840,193
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	1,854,446	1,026,752
20.602	Occupant Protection Incentive Grants	6,150	6,150
20.610	State Traffic Safety Information System Improvement Grants	567,816	14,794
20.612	Incentive Grant Program to Increase Motorcyclist Safety	110,274	110,274
20.613	Child Safety and Child Booster Seats Incentive Grants	272,743	182,637
	Total Highway Safety Cluster	7,340,821	4,180,800
20.616	National Priority Safety Programs	1,954,588	1,461,250
20.700	Pipeline Safety Program Base Grants	19,110	9,000
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	403,773	305,559
20.720	State Damage Prevention Program Grants	94,795	—
20.CON	Contractual Agreements – Fatal Accident Reporting System	246,641	—
	Total U.S. Department of Transportation	990,497,268	197,477,726
	Equal Employment Opportunity Commission		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	191,560	—
	Total Equal Employment Opportunity Commission	191,560	—
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts – Partnership Agreements	844,300	405,773
	Total National Foundation on the Arts and the Humanities	844,300	405,773
	U.S. Small Business Administration:		
59.061	State Trade and Export Promotion Pilot Grant Program	160,615	160,615
	Total U.S. Small Business Administration	160,615	160,615
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	491,079	—
64.009	Veterans Medical Care Benefits	803,445	803,445
64.015	Veterans State Nursing Home Care	31,588,440	—
64.101	Burial Expenses Allowances for Veterans	415,555	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	564,353	—
64.203	State Cemetery Grants	4,573,177	—
	Total U.S. Department of Veterans Affairs	38,436,049	803,445
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	566,134	—
66.040	State Clean Diesel Grant Program	246,413	—
66.419	Water Pollution Control State, Interstate and Tribal Program Support	782	—
66.454	Water Quality Management Planning	508,280	177,680
	Clean Water State Revolving Fund Cluster:		
66.458	Capitalization Grants for Clean Water State Revolving Funds	68,249,723	65,922,646
	Total Clean Water State Revolving Fund Cluster	68,249,723	65,922,646
66.461	Regional Wetland Program Development Grants	61,742	—
	Drinking Water State Revolving Fund Cluster:		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	21,626,240	18,299,214
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	130,574	—
	Total Drinking Water State Revolving Fund Cluster	21,756,814	18,299,214
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	111,269	—
66.472	Beach Monitoring & Notification Program Implementation Grant	428,699	178,000
66.479	Wetland Program Grants – State/Tribal Environmental Outcome Wetland Demonstration Program	93,678	—
66.605	Performance Partnership Grants	19,279,587	3,025,532
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	229,935	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	352,137	—
66.708	Pollution Prevention Grants Program	1,333	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,655,694	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,441,397	—
66.815	Environmental Workforce Development and Job Training Cooperative Agreements	100,057	99,942
66.817	State and Tribal Response Program Grants	102,428	—
66.819	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking Underground Storage Tank Trust Fund Corrective Action Program	20,811	—
	Total U.S. Environmental Protection Agency	115,206,913	87,703,014

Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	U.S. Department of Energy:		
81.041	State Energy Program	$ 944,806	—
81.041	ARRA – State Energy Program	4,170,719	3,962,768
	Total State Energy Program	5,115,525	3,962,768
81.042	Weatherization Assistance for Low-Income Persons	6,092,064	5,626,820
81.087	ARRA – Renewable Energy Research and Development	110,403	—
81.119	ARRA – State Energy Program Special Projects	246,995	245,482
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	121,978	—
81.ADM	Administration Costs Consolidations	(652,483)	—
	Total U.S. Department of Energy	11,034,482	9,835,070
	U.S. Department of Education:		
84.002	Adult Education – Basic Grants to States	18,033,714	15,551,474
84.010	Title 1 Grants to Local Educational Agencies	336,511,784	327,105,154
84.011	Migrant Education: State Grant Program	2,040,679	1,932,246
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,767,839	848,447
	Special Education Cluster (IDEA):		
84.027	Special Education – Grants to States	355,498,384	333,973,876
84.173	Special Education – Preschool Grants	11,087,095	10,794,870
	Total Special Education Cluster (IDEA)	366,585,479	344,768,746
84.032	Federal Family Education Loan Program	65,990,439	—
84.048	Career and Technical Education – Basic Grants to States	19,467,896	17,267,060
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	61,859,541	4,944,759
84.144	Migrant Education – Coordination Program	46,076	32,131
84.169	Independent Living – State Grants	366,015	366,015
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	972,584	972,584
84.181	Special Education – Grants for Infants and Families	11,793,155	8,784,267
84.184	Safe & Drug-Free Schools and Communities – National Programs	629,534	629,534
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	762,101	107,426
84.196	Education for Homeless Children and Youth	1,478,925	1,319,166
84.224	Assistive Technology	404,208	404,208
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-service Training	30,115	—
84.282	Charter Schools	2,313,326	2,134,819
84.287	Twenty-First Century Community Learning Centers	22,966,655	21,878,646
84.293	Foreign Language Assistance	27,664	—
84.330	Advanced Placement Program	523,980	—
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,968,397	2,706,709
	Teacher Quality Partnership Grants Cluster:		
84.336	Teacher Quality Enhancement Grants	107,125	—
	Total Teacher Quality Partnership Grants Cluster	107,125	—
84.358	Rural Education	13,141	12,521
84.365	English Language Acquisition State Grants	22,451,927	21,266,691
84.366	Mathematics and Science Partnerships	2,550,576	2,394,217
84.367	Improving Teacher Quality State Grants	56,487,967	54,412,801
84.369	Grants for State Assessments and Related Activities	9,158,425	—
	Statewide Data Systems Cluster:		
84.372	Statewide Data Systems	504,494	—
	Total Statewide Data Systems Cluster	504,494	—
	School Improvement Grants Cluster:		
84.377	School Improvement Grants	5,517,623	4,676,392
84.388	ARRA – School Improvement Grants	10,239,516	10,239,516
	Total School Improvement Grants Cluster	15,757,139	14,915,908
84.378	College Access Challenge Grant Program	2,535,408	2,502,112
84.410	Education Jobs Fund	593,101	593,101
84.412	Race to the Top – Early Learning Challenge	25,478	—
84.413	ARRA – Race To The Top	7,975,086	5,212,387
84.CON	Contractual Agreements – National Center Educational Statistics	50,290	—
84.UNA	Unassigned Catalog Numbers from Federal Government	17,249	—
	Total U.S. Department of Education	1,035,767,512	853,063,129

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Schedule of Expenditures of Federal Awards

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Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	$ 3,383,031	—
	Total U.S. Election Assistance Commission	3,383,031	—
	U.S. Department of Health and Human Services:		
93.041	Special Programs for the Aging: Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	264,299	32,000
93.042	Special Programs for the Aging: Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	421,541	—
93.043	Special Programs for the Aging: Title III, Part D – Disease Prevention and Health Promotion Services	626,683	626,683
	Aging Cluster:		
93.044	Special Programs for the Aging: Title III, Part B – Grants for Supportive Services and Senior Centers	10,926,838	10,926,838
93.045	Special Programs for the Aging – Title III, Part C: Nutrition Services	18,774,486	18,072,676
93.053	Nutrition Services Incentive Program	3,749,000	3,749,000
	Total Aging Cluster	33,450,324	32,748,514
93.048	Special Programs for the Aging – Title IV & Title II - Discretionary Projects	385,357	224,077
93.051	Alzheimer’s Disease Demonstration Grants to States	73,066	72,500
93.052	National Family Caregiver Support, Title III, Part E	4,293,817	4,169,389
93.069	Public Health Emergency Preparedness	16,258,130	7,769,673
93.070	Environmental Public Health and Emergency Response	292,261	89,640
93.071	Medicare Enrollment Assistance Program	195,000	195,000
93.072	Lifespan Respite Care Program	29,757	—
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	178,026	—
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	724,601	60,285
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	99,360	—
93.090	Guardian Assistance	771,360	—
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,495,328	1,448,582
	Hurricane Sandy Relief Cluster		
93.095	HHS Programs for Disaster Relief Appropriations Act – Non Construction	81,968,951	79,872,194
	Total Hurricane Sandy Relief Cluster	81,968,951	79,872,194
93.103	Food and Drug Administration – Research	26,487	—
93.110	Maternal and Child Health Federal Consolidated Programs	421,697	229,277
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	2,428,085	1,069,207
93.127	Emergency Medical Services for Children	120,958	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	212,331	47,533
93.136	Injury Prevention and Control Research and State and Community Based Programs	923,836	687,334
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	147,168	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	1,977,614	1,872,512
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	1,727,319	1,577,950
93.165	Grants to States for Loan Repayment Program	240,000	—
93.217	Family Planning Services	(70,511)	—
93.235	Affordable Care Act (ACA) Abstinence Education Program	873,642	615,610
93.240	State Capacity Building	509,728	—
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	1,752,516	1,140,673
93.251	Universal Newborn Hearing Screening	153,388	90,277
93.262	Occupational Safety and Health Program	360,914	—
93.268	Immunization Cooperative Agreements	6,911,070	1,859,099
93.268	Immunization Cooperative Agreements (nonmonetary)	68,738,627	—
	Total Immunization Cooperative Agreements	75,649,697	1,859,099
93.270	Adult Viral Hepatitis Prevention and Control	104,449	—
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	6,060,364	2,627,970
93.292	National Public Health Improvement Initiative	1,268	—
93.296	State Partnership Grant Program to Improve Minority Health	51,968	51,968
93.324	State Health Insurance Assistance Program	94,434	—
93.414	ARRA – State Primary Care Offices	24,877	—
93.500	Pregnancy Assistance Fund Program	788,755	787,847
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	11,149,501	10,644,199
93.507	PPHF 2012 National Public Health Improvement Initiative	1,019,782	160,500

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal CFDA number	Federal agency/program title or cluster	Amounts: Expenditures	Amounts: Passed through to subrecipients
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	$ 537,635	—
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	607,218	—
93.538	Affordable Care Act – National Environmental Public Health Tracking Program Network Implementation	678,146	—
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	99,805	—
93.548	PPHF 2013: State Nutrition, Physical Activity, and Obesity Programs – financed in part by 2013 PPHF	5,022	—
93.556	Promoting Safe and Stable Families	4,996,358	4,696,169
	TANF Cluster:		
93.558	Temporary Assistance for Needy Families	316,700,824	93,579,239
	Total TANF Cluster	316,700,824	93,579,239
93.563	Child Support Enforcement	174,498,493	31,395,221
93.566	Refugee and Entrant Assistance – State Administered Programs	2,438,383	997,205
93.568	Low-Income Home Energy Assistance	132,045,798	21,547,902
93.569	Community Services Block Grant	17,855,076	17,003,253
	CCDF Cluster:		
93.575	Child Care and Development Block Grant	121,939,719	120,853,134
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	80,425,599	77,830,316
	Total CCDF Cluster	202,365,318	198,683,450
93.576	Refugee and Entrant Assistance – Discretionary Grants	521,828	467,376
93.586	State Court Improvement Program	910,521	—
93.590	Community-Based Child Abuse Prevention Grants	2,621,588	2,554,860
93.597	Grants to States for Access and Visitation Programs	207,191	—
93.599	Chafee Education and Training Vouchers Program (ETV)	673,040	673,040
93.600	Head Start	203,882	—
93.617	Voting Access for Individuals with Disabilities – Grants to State	91,976	91,976
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,462,444	409,503
93.643	Children's Justice Grants to States	303,333	242,310
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,137,802	—
93.658	Foster Care – Title IV-E	99,187,269	7,444,582
93.659	Adoption Assistance	60,513,850	—
93.667	Social Services Block Grant	55,895,841	24,531,394
93.669	Child Abuse and Neglect State Grants	881,043	881,043
93.670	Child Abuse and Neglect Discretionary Activities	155,576	154,062
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes	2,065,764	2,065,764
93.674	Chafee Foster Care Independence Program	2,362,695	2,362,695
93.708	ARRA – Head Start	647,123	262,617
93.719	ARRA – State Grants to Promote Health Information Technology	7,324	—
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	433,177	388,885
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	487,180	—
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	172,696	—
93.767	Children's Health Insurance Program	356,872,073	34,999,659
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	(84,540)	—
	Medicaid Cluster:		
93.775	State Medicaid Fraud Control Units	3,178,232	—
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	12,005,953	—
93.778	Medical Assistance Program	6,924,519,622	57,464,138
93.778	ARRA – Medical Assistance Program	(4,551,951)	—
	Total Medicaid Cluster	6,935,151,856	57,464,138

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal CFDA number	Federal agency/program title or cluster		Amounts: Expenditures	Amounts: Passed through to subrecipients
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	$	1,220,788	679,000
93.791	Money Follows the Person Rebalancing Demonstration		18,361,271	17,585,403
93.889	National Bioterrorism Hospital Preparedness Program		9,528,756	5,145,661
93.913	Grants to States for Operation of Offices of Rural Health		165,267	75,211
93.917	HIV Care Formula Grants		45,045,826	37,619,395
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs		699,009	—
93.926	Healthy Start Initiative		586,364	451,924
93.928	Special Projects of National Significance		19,256	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems		125,276	11,310
93.940	HIV Prevention Activities: Health Department Based		14,997,289	10,069,497
93.944	HIV Demonstration, Research, Public and Professional Education Project		3,367,293	—
93.945	Assistance Programs for Chronic Disease Prevention and Control		1,005,162	769,950
93.946	Cooperative Agreements to Support State Based Safe Motherhood and Infant Health Initiative Programs		175,635	—
93.958	Block Grants for Community Mental Health Services		13,312,586	13,223,579
93.959	Block Grants for Prevention and Treatment of Substance Abuse		45,776,472	38,293,871
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants		3,145,790	77,503
93.982	Mental Health Disaster Assistance and Emergency Mental Health		5,524,339	5,308,434
93.991	Preventive Health and Health Services Block Grant		2,113,087	1,024,741
93.994	Maternal and Child Health Services Block Grant to the States		12,468,107	4,818,236
93.CON	Contractual Agreement		2,919,688	260,780
	Total U.S. Department of Health and Human Services		8,808,545,997	789,081,331
	Corporation for National and Community Service:			
94.003	State Commissions		305,320	—
94.006	AmeriCorps		2,496,781	2,259,162
94.007	Program Development and Innovation Grants		10,614	—
94.009	Training & Technical Assistance		53,712	—
	Foster Grandparents/Senior Companion Cluster:			
94.011	Foster Grandparent Program		690,578	513,151
	Total Foster Grandparents/Senior Companion Cluster		690,578	513,151
	Total Corporation for National and Community Service		3,557,005	2,772,313
	Social Security Administration:			
	Disability Insurance/SSI Cluster:			
96.001	Social Security – Disability Insurance		61,610,673	—
	Total Disability Insurance/SSI Cluster		61,610,673	—
96.UNA	Unassigned Catalog Numbers from Federal Government		22,322	—
	Total Social Security Administration		61,632,995	—
	U.S. Department of Homeland Security:			
97.008	Non-Profit Security Program		1,240,824	1,188,366
97.012	Boating Safety Financial Assistance		5,282,576	—
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		46,096	—
97.029	Flood Mitigation Assistance		5,095,825	3,049,316
97.032	Crisis Counseling		498,937	483,157
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)		443,936,444	281,846,653
97.039	Hazard Mitigation Grant		37,186,726	6,087,388
97.041	National Dam Safety Program		97,506	—
97.042	Emergency Management Performance Grants		8,901,395	2,183,689
97.045	Cooperating Technical Partners		1,042,488	—
97.047	Pre-Disaster Mitigation		1,050,370	1,037,964
97.052	Emergency Operations Center		2,242,984	2,242,984
97.055	Inoperable Communications Equipment		642,341	48,252
97.056	Port Security Grant Program		67,389	—
97.067	Homeland Security Grant Program		67,418,506	44,285,779
97.078	Buffer Zone Protection Plan (BZPP)		959,776	235,296
97.088	Disaster Assistance Projects		4,499,362	4,375,553
97.089	Driver's License Security Grant Program		709,372	—
97.091	Homeland Security Biowatch Program		134,846	—
97.092	Repetitive Flood Claims		1,077,305	1,077,304
97.110	Severe Repetitive Loss Program		26,684,964	22,592,604
97.116	ARRA – Port Security Grant Program		1,009,400	1,009,400
	Total U.S. Department of Homeland Security		609,825,432	371,743,705
	Totals	$	17,834,845,962	3,049,636,882

See accompanying notes to the schedule of expenditures of Federal awards.

(1) Basis of Presentation

(a) Reporting Entity

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2014. The State of New Jersey financial reporting entity is described in note 1b of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey, as defined above, for the year ended June 30, 2014.

(b) Federal Family Education Loan Program

The State of New Jersey administers the Federal Family Education Loan Program – Guaranty Program (FFELP). During the fiscal year ended June 30, 2014 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to $52,623,796 and $13,366,643, respectively, and are included in the accompanying Schedule. The principal outstanding for guaranteed loans as of June 30, 2014 was $2,641,937,104. The loans guaranteed under the FFELP in previous years are not included in the accompanying Schedule.

(c) Federal Awards Programs Numbers

Certain programs presented in the accompanying Schedule includes Federal award programs that have not been assigned a Catalog of Federal Domestic Assistance (CFDA) number, which are reported by the respective Federal Agency and titled "UNA". Programs under direct contract are titled "CON". The Administration Costs Consolidations under the U.S. Department of Energy is labeled "ADM".

(d) Supplemental Nutrition Assistance Program

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2013.

(e) Disaster Grants – Public Assistance (Presidentially Declared Disaster) (97.036)

After a Presidentially Declared Disaster, Federal Emergency Management Agency (FEMA) provides a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal Government reimburses in the form of cost-shared grants.

In 2014, FEMA approved approximately $32,500,000 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

(2) Basis of Accounting

(a) General

The accompanying Schedule includes the expenditures for each Federal financial assistance program of the State of New Jersey and is presented on the cash basis of accounting, which is based on cash disbursements for the period.

(b) Highway Planning and Construction Program

The amount presented in the Highway Planning and Construction Program (20.205) represents the summary of billings from the Department of Transportation to the Federal Government which include expenditures currently determined to be chargeable to the Federal program.

(c) Nonmonetary Federal Awards

The amounts identified in the Schedule as surplus foods, food stamps, commodities, and vaccines represent the dollar value of items consumed.

(3) Matching Costs

Matching costs, i.e., the non-Federal share of certain program costs, are not included in the accompanying Schedule.

(4) Relationship to Federal Financial Reports

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash basis explained in note 2.

(5) Contingencies

The State of New Jersey's participation in Federal funding is subject to review by the U.S. Department of Health and Human Services (HHS) as cognizant agency. HHS coordinates the review of findings and questioned costs with other Federal agencies. HHS and the other Federal agencies determine the ultimate allowability of expenditures charged to the Federal grants. The State of New Jersey is unable to determine the amounts, if any, that Federal agencies will disallow. Any impact as a result of these matters will be reflected in the Schedule of Expenditures of Federal Awards and recognized by the respective Federal program when amounts can be determined.

The State of New Jersey is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, any impact as a result of these matters will be reflected in the Schedule of Expenditures of Federal Awards and recognized by the respective Federal program when amounts can be determined.

KPMG

KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Governor
State of New Jersey:

Report on Compliance for Each Major Federal Program

We have audited the State of New Jersey's (the State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2014. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The schedule of expenditures of Federal awards and our audit described below does not include expenditures of Federal awards for those entities determined to be component units of the State of New Jersey for financial statement purposes. These entities may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion

As described in Findings 2014-005, 2014-009, 2014-013, 2014-015, 2014-016, 2014-017, 2014-024, 2014-025, 2014-027, 2014-035, 2014-038, 2014-039, 2014-040, 2014-041, 2014-042, 2014-043, 2014-047, 2014-51, 2014-

052, 2014-053, 2014-054, 2014-057, 2014-058, and 2014-061 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal awarding agency	State administering agency	Federal program (CFDA number)	Compliance requirement	Finding number
U.S. Department of Housing and Urban Development	Department of Community Affairs	CDBG - State Administered CDBG Cluster (14.228)/ Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)/Housing Voucher Cluster (14.871, 14.879)	Reporting	2014-005
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Grant Program (97.067)	Equipment	2014-009
U.S. Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)	Reporting	2014-013
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Reporting	2014-015
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Reporting	2014-016
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Allowable Costs/ Cost Principles	2014-017
U.S. Department of Defense	Department of Military and Veterans Affairs	National Guard and Military Operations and Maintenance (O&M) Projects (12.401)	Allowable Costs/ Cost Principles	2014-024
U.S. Department of Defense	Department of Military and Veterans Affairs	National Guard and Military Operations and Maintenance (O&M) Projects (12.401)	Suspension and Debarment	2014-025
U.S. Department of Agriculture U.S. Department of Health and Human Services	Department of Health	Special Supplemental Nutrition Program for Women, Infants and Children (10.557)/ Public Health Emergency Preparedness (93.069)/ Immunization Cooperative Agreements (93.268)/ Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)/ National Bioterrorism Hospital Preparedness Program (93.889)/ HIV Care Formula Grants (93.917)	Reporting	2014-027
U.S. Department of Transportation	Department of Transportation	Highway Planning and Construction Cluster (20.205, 20.219)	Reporting	2014-035

Federal awarding agency	State administering agency	Federal program (CFDA number)	Compliance requirement	Finding number
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Families	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Subrecipient Monitoring Suspension and Debarment	2014-038
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Families	Social Services Block Grants (93.667)	Reporting	2014-039
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Families	Social Services Block Grants (93.667)	Subrecipient Monitoring	2014-040
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Famili	Hurricane Sandy Relief Cluster (93.095)	Reporting	2014-041
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Families	TANF Cluster (93.558)	Subrecipient Monitoring Suspension and Debarment	2014-042
U.S. Department of Health and Human Services	Department of Human Services	TANF Cluster (93.558)	Subrecipient Monitoring	2014-043
U.S. Department of Education	Department of Human Services	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)	Activities Allowed or Unallowed Allowable Costs/ Cost Principles	2014-047
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Special Tests and Provisions	2014-051
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Subrecipient Monitoring	2014-052
U.S. Department of Health and Human Services	Department of Human Services	Children's Health Insurance Program (93.767)	Subrecipient Monitoring	2014-053
U.S. Department of Health and Human Services	Department of Human Services	Children's Health Insurance Program (93.767)	Subrecipient Monitoring	2014-054
U.S. Department of Health and Human Services	Department of Human Services	Children's Health Insurance Program (93.767)/ Medicaid Cluster (93.775, 93.777, 93.778)	Reporting	2014-057
U.S. Department of Health and Human Services	Department of Human Services	Aging Cluster (93.044, 93.045, 93.053)	Reporting	2014-058
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Allowable Costs/ Cost Principles	2014-061

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major programs listed in the table above for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-006, 2014-007, 2014-008, 2014-010, 2014-011, 2014-014, 2014-018, 2014-020, 2014-021, 2014-022, 2014-023, 2014-028, 2014-029, 2014-030, 2014-031, 2014-034, 2014-036, 2014-046, 2014-048, 2014-049, 2014-050, 2014-055, 2014-056, 2014-059 and 2014-060. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-005, 2014-009, 2014-012, 2014-013, 2014-015, 2014-016, 2014-017, 2014-024, 2014-025, 2014-027, 2014-035, 2014-038, 2014-039, 2014-040, 2014-041, 2014-042, 2014-043, 2014-047, 2014-051, 2014-052, 2014-053, 2014-054, 2014-057, 2014-058 and 2014-061 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-003, 2014-004, 2014-006, 2014-007, 2014-008, 2014-010, 2014-011, 2014-014, 2014-018, 2014-019, 2014-020, 2014-021, 2014-022, 2014-023, 2014-026, 2014-028, 2014-029, 2014-030, 2014-031, 2014-032, 2014-033, 2014-034, 2014-036, 2014-037, 2014-044, 2014-045, 2014-046, 2014-048, 2014-049, 2014-050, 2014-055, 2014-056, 2014-059 and 2014-060 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

Short Hills, New Jersey
April 6, 2015

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

(1) Summary of Auditor's Results

Basic Financial Statements

(a) An unmodified opinion was issued by the State Auditor, State of New Jersey, on the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2014.

(b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses and two significant deficiencies in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2014.

(c) The audit by the State Auditor, State of New Jersey disclosed no instances of noncompliance which are material to the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2014.

Single Audit

(d) This audit of Federal financial assistance disclosed material weaknesses and significant deficiencies which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2014.

(e) The type of report issued on compliance for major programs:

Qualifications:

Medicaid Cluster
Housing Voucher Cluster
CDBG – State Administered CDBG Cluster
TANF Cluster
Aging Cluster
Children's Health Insurance Program
Block Grants for the Prevention and Treatment of Substance Abuse
Rehabilitation Services - Vocational Rehabilitation Grants to States
Social Services Block Grants
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Homeland Security Grant Program
Hazard Mitigation Grant
Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR)
Hurricane Sandy Relief Cluster
Special Supplemental Nutrition Program for Women, Infants and Children
HIV Care Formula Grants
Immunization Cooperative Agreements
Public Health Emergency Preparedness
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
National Bioterrorism Hospital Preparedness Program
National Guard Military Operations and Maintenance (O&M) Projects
Highway Planning and Construction Cluster

The opinions for all other major programs are unmodified.

(f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2014.

(g) The major Federal programs of the State of New Jersey for the year ended June 30, 2014 were as follows:

U.S. Department of Agriculture:

- Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
- Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

U.S. Department of Defense:

- National Guard Military Operations and Maintenance (O&M) Projects (12.401)

U.S. Department of Housing and Urban Development:

- CDBG -State Administered CDBG Cluster (14.228)
- Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)
- Housing Voucher Cluster (14.871, 14.879)

U.S. Department of Labor:

- Unemployment Insurance (including ARRA) (17.225)
- Workforce Investment Act (WIA) National Emergency Grants (17.277)

U.S. Department of Transportation:

- Highway Planning and Construction Cluster (including ARRA) (20.205, 20.219)

U.S. Department of Military Affairs:

- Veterans State Nursing Home Care (64.015)

U.S. Environmental Protection Agency:

- Drinking Water State Revolving Fund Cluster (66.468)
- Performance Partnership Grants (66.605)

U.S. Department of Education:

- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- Twenty-First Century Community Learning Centers (84.287)
- Grants for State Assessments and Related Activities (84.369)
- School Improvement Grants Cluster (including ARRA) (84.377, 84.388)

U.S. Department of Health and Human Services:

- Aging Cluster (93.044, 93.045, 93.053)
- Public Health Emergency Preparedness (93.069)
- Hurricane Sandy Relief Cluster (93.095)
- Immunization Cooperative Agreements (93.268)
- Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)
- TANF Cluster (93.558)
- Child Support Enforcement (93.563)
- Foster Care – Title IV-E (93.658)
- Adoption Assistance (including ARRA) (93.659)
- Social Services Block Grant (93.667)
- Children's Health Insurance Program (93.767)
- Medicaid Cluster (including ARRA) (93.775, 93.777, 93.778)
- National Bioterrorism Hospital Preparedness Program (93.889)
- HIV Care Formula Grants (93.917)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

(Continued)

U.S. Department of Homeland Security:

- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
- Hazard Mitigation Grant (97.039)
- Homeland Security Grant Program (97.067)

(h) The dollar threshold used to distinguish between type A and type B programs was $30,715,175 for Federal awards for the year ended June 30, 2014.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2014.

(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*:

The State Auditor, State of New Jersey issued under separate cover the report in accordance with *Government Auditing Standards*. The State Auditor disclosed no material weaknesses in internal control, however two significant deficiencies in internal control, 2014-001 and 2014-002 were identified. Additionally, the report disclosed no instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*.

(3) Findings and Questioned Costs Relating to Federal Awards:

See appendix of findings items 2014-003 to 2014-061.

APPENDIX OF FINDINGS

Housing Choice Voucher (14.871, 14.879)

Grant Award Numbers and Years:

NJ912AF0099 (7/1/2013 - 7/31/2013), NJ912VO0564 (7/1/2013 - 7/31/2013), NJ912VO0565 (7/1/2013 - 7/31/2013), NJ912VO0569 (8/1/2013 - 8/31/2013), NJ912AF0100 (7/1/2013 - 9/30/2013), NJ912AFR213 (9/1/2013 - 9/30/2013), NJ912VO0562 (7/1/2013 - 9/30/2013), NJ912VO0563 (7/1/2013 - 9/30/2013), NJ912AF0102 (10/1/2013 - 10/31/2013), NJ912VO0571 (10/1/2013 - 10/31/2013), NJ912AF0103 (11/1/2013 - 12/31/2013), NJ912AFFS12 (1/1/2013 - 12/31/2013), NJ912VO0544 (1/1/2013 - 12/31/2013), NJ912VO0545 (4/1/2013 - 12/31/2013), NJ912VO0546 (4/1/2013 - 12/31/2013), NJ912VO0547 (4/1/2013 - 12/31/2013), NJ912VO0548 (4/1/2013 - 12/31/2013), NJ912VO0549 (4/1/2013 - 12/31/2013), NJ912VO0550 (4/1/2013 - 12/31/2013), NJ912VO0551 (4/1/2013 - 12/31/2013), NJ912VO0552 (4/1/2013 - 12/31/2013), NJ912VO0553 (1/1/2013 - 12/31/2013), NJ912VO0554 (1/1/2013 - 12/31/2013), NJ912VO0555 (1/1/2013 - 12/31/2013), NJ912VO0556 (1/1/2013 - 12/31/2013), NJ912VO0557 (1/1/2013 - 12/31/2013), NJ912VO0567 (8/1/2013 - 12/31/2013), NJ912VO0568 (6/1/2013 - 12/31/2013), NJ912VO0572 (10/1/2013 - 12/31/2013), NJ912AF0104 (1/1/2014 - 1/31/2014), NJ912AFHV19 (1/1/2014 - 1/31/2014), NJ912AFR313 (1/1/2014 - 1/31/2014), NJ912VO0573 (1/1/2014 - 1/31/2014), NJ912AF0105 (2/1/2014 - 2/28/2014), NJ912VO0590 (2/1/2014 - 2/28/2014), NJ912AF0106 (3/1/2014 - 3/31/2014), NJ912VO0594 (3/1/2014 - 3/31/2014), NJ912AF0107 (4/1/2014 - 4/30/2014), NJ912VO0595 (4/1/2014 - 4/30/2014), NJ912AF0108 (5/1/2014 - 5/31/2014), NJ912AF0109 (6/1/2014 - 6/30/2014), NJ912AFR413 (6/1/2014 - 6/30/2014), NJ912VO0566 (8/1/2013 - 7/31/2014), NJ912VO0570 (10/1/2013 - 9/30/2014), NJ912VO0596 (5/1/2014 - 9/30/2014), NJ912VO0574 (1/1/2014 - 12/31/2014), NJ912VO0575 (1/1/2014 - 12/31/2014), NJ912VO0576 (1/1/2014 - 12/31/2014), NJ912VO0577 (1/1/2014 - 12/31/2014), NJ912VO0578 (1/1/2014 - 12/31/2014), NJ912VO0579 (1/1/2014 - 12/31/2014), NJ912VO0580 (1/1/2014 - 12/31/2014), NJ912VO0581 (1/1/2014 - 12/31/2014), NJ912VO0582 (1/1/2014 - 12/31/2014), NJ912VO0583 (1/1/2014 - 12/31/2014), NJ912VO0584 (1/1/2014 - 12/31/2014), NJ912VO0585 (1/1/2014 - 12/31/2014), NJ912VO0586 (1/1/2014 - 12/31/2014), NJ912VO0587 (1/1/2014 - 12/31/2014), NJ912VO0591 (1/1/2014 - 12/31/2014), NJ912VO0592 (1/1/2014 - 12/31/2014), NJ912VO0593 (1/1/2014 - 12/31/2014), NJ912VO0597 (1/1/2014 - 12/31/2014), NJ912VO0598 (2/1/2014 - 1/31/2015), NJ912VO0599 (2/1/2014 - 1/31/2015), NJ912VO0600 (2/1/2014 - 1/31/2015), NJ912DV0012 (5/1/2013 - 12/31/2013), NJ912DV0013 (1/1/2014 - 3/31/2014), NJ912FSF007 (1/1/2013 - 12/31/2013), NJ912FSF008 (1/1/2014 - 12/31/2014), NJ912R20001 (4/1/2013 - 7/31/2013), NJ912R20003 (7/1/2013 - 12/31/2013)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-003 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Type: Noncompliance, Significant Deficiency

Criteria

1. PHAs may use HCVP and Mainstream Voucher funds only for HAPs to participating owners, and for administrative fees (24 CFR sections 982.151 and 982.152).

    a. Accumulated administrative fees from 2003 funding and prior may be used for any housing related purpose Unspent administrative fees accumulated after January 1, 2005 (i.e., fees from 2004 and later funding, see III.L.1.e.(4)(a), "Financial Reporting – Financial Reports") may be used only to support the HCVP These funds still are considered to be administrative fee reserves, and are subject to all of the requirements applicable to administrative fee reserves including, but not limited to, those in 24 CFR section 982.155 The fees accumulated from 2004 and later funding must be used for activities related to the provision of tenant-based rental assistance authorized under Section 8 of the United States Housing Act of 1937, including related development activities PHAs must maintain and report balances for both funding sources (see notice PIH 2010-7(HA) dated March 12, 2010) (Division I, Title II, Section (5) of Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 3296, and subsequent appropriations acts; see Section 5 of Notice PIH 2005-01 and Notice PIH 2010-7(HA); 24 CFR section 982.155)

b. CY HAP funding must be used for CY HAP and later HAP expenses PHA's HAP equity balance also known as "net restricted assets" provides the balance of the unspent HAP at any given point in time A negative HAP equity balance at the calendar year end indicates that the PHA has or will use the next year HAP funding for last year's HAP expense PHAs are not allowed to use current year HAP to fund HAP liabilities associated with prior years (2005 Appropriations Act each subsequent appropriations act; see Section 15 of Notice PIH 2008-15)

c. HAP funding can be used only to support the payment of HAP expenses Transfers of HAP and administrative fees, even temporarily, to support another program or use are not allowed, and could be considered a breach of the ACC (see III.L.1.e.(3), "Reporting--Financial Reporting--FDS Transfer Line Items") Such use may result in civil penalties or sanctions (24 CFR section 985.109).

2. PHAs are allowed to recover their indirect costs related to the HCVP through the use of a fee-for-service model in lieu of a cost allocation plan In order for a PHA to use a fee-for-service model, the PHA must create a central office cost center (COCC) (24 CFR section 990.280(d)). (Also see Section 7.8 of Handbook 7475.1 and Section 2 of Notice PIH 2008-17) HUD has established the following as the types of fees the COCC can charge for the HCVP:

   a. HCVP management fee, and

   b. Bookkeeping fee.

   HUD is required to publish a notice in the *Federal Register* that reflects the amount that can be claimed by PHAs administering the program As of September 6, 2006, HUD has determined that, for PHAs that elect to use a fee-for-service methodology for their HCVPs (as allowed under 2 CFR part 225 (OMB Circular A-87)), a management fee of up to 20 percent of the administrative fee or up to $12 per unit month (PUM) per voucher leased, whichever is higher, is reasonable PHAs also can charge the HCVP a bookkeeping fee of $7.50 PUM per voucher leased (see 71 FR 52710, HUD Notice – Public Housing Operating Fund Program; Guidance on Implementation of Asset Management, September 6, 2006, Section VIII) (42 USC 1437f(q)(1)).

3. The 2005 Appropriations Act and subsequent appropriations acts prohibit the use of appropriated funds by any PHA for “over-leasing.” Over-leasing occurs when a PHA has more unit months under a HAP contract for the CY than are available under its ACC baseline, even if the PHA has sufficient Budget Authority to support the additional unit months Over-leasing is measured on a CY basis If a PHA engages in over-leasing, it must identify other non-HAP sources to pay for the over-leasing In addition, the 2008 Appropriations Act and subsequent appropriations acts require that administrative fees be based on actual leasing as of the first day of the month (Division I, Title II, Section (5) of Consolidated Appropriations Act, 2005, Pub. L. No. 108-447, 118 Stat. 3295; Division K, Title II, Section (1) of Consolidated Appropriations Act, 2008, Pub. L. No. 110-161, 121 Stat. 2413; See Section 7 of Notice PIH 2005-01 and Section 6 of Notice PIH 2008-15) PHAs submit lease information via VMS. (See also III.L.1.d (1), “Reporting--Financial Reporting--Unit Months Leased”).

4. PHAs may use DHAP-Sandy funds

   a. to provide eligible families with rental assistance, security and utility deposit assistance; and

   b. for administrative, placement, and broker fees (See Section 4.d, PIH Notice 2013-14, Disaster Housing Assistance Program - Sandy (DHAP-Sandy) Operating Requirements, dated June 10, 2013).

Condition

The Department of Community Affairs (the Department) is the primary agency responsible for the administration of the Section 8 Housing Choice Voucher. The Department is responsible for performing eligibility determinations for beneficiaries and provides payment of Housing Voucher benefits based upon those determinations.

We noted the following for a sample of forty beneficiaries selected for testwork:

- For one beneficiary selected for testwork, a payment was made twice in error for the same month. The payment in error was $422.

- For one beneficiary selected for testwork, the third party verification of the income was included in the file, however, the number was incorrectly input on the HUD 50058 form, resulting in an error in the Housing Assistance Payment (HAP). The correct monthly HAP should be $621 a month, instead of the incorrectly calculated amount of $639 a month. The questioned costs over the eight months the beneficiary was eligible during State fiscal year 2014 was $144.

The total dollar amount provided to the beneficiaries in the sample was $287,921. Total beneficiary payments for the program included on the Schedule of Expenditures of Federal Awards were $206,767,434 for State fiscal year 2014.

Cause

The Department did not properly review the beneficiary’s payments. The Department did not review the documentation prior to input in the HUD 50058 form.

Effect

HAP could be made incorrectly on behalf of the beneficiaries in the given fiscal year.

Recommendation

We recommend that the Department strengthen its procedures over beneficiary payments to ensure the appropriate amounts are provided.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

$566

View of Responsible Official

See management's corrective action plan.

Housing Voucher Cluster (14.871, 14.879)

Grant Award Numbers and Years:

NJ912AF0099 (7/1/2013 - 7/31/2013), NJ912VO0564 (7/1/2013 - 7/31/2013), NJ912VO0565 (7/1/2013 - 7/31/2013), NJ912VO0569 (8/1/2013 - 8/31/2013), NJ912AF0100 (7/1/2013 - 9/30/2013), NJ912AFR213 (9/1/2013 - 9/30/2013), NJ912VO0562 (7/1/2013 - 9/30/2013), NJ912VO0563 (7/1/2013 - 9/30/2013), NJ912AF0102 (10/1/2013 - 10/31/2013), NJ912VO0571 (10/1/2013 - 10/31/2013), NJ912AF0103 (11/1/2013 - 12/31/2013), NJ912AFFS12 (1/1/2013 - 12/31/2013), NJ912VO0544 (1/1/2013 - 12/31/2013), NJ912VO0545 (4/1/2013 - 12/31/2013), NJ912VO0546 (4/1/2013 - 12/31/2013), NJ912VO0547 (4/1/2013 - 12/31/2013), NJ912VO0548 (4/1/2013 - 12/31/2013), NJ912VO0549 (4/1/2013 - 12/31/2013), NJ912VO0550 (4/1/2013 - 12/31/2013), NJ912VO0551 (4/1/2013 - 12/31/2013), NJ912VO0552 (4/1/2013 - 12/31/2013), NJ912VO0553 (1/1/2013 - 12/31/2013), NJ912VO0554 (1/1/2013 - 12/31/2013), NJ912VO0555 (1/1/2013 - 12/31/2013), NJ912VO0556 (1/1/2013 - 12/31/2013), NJ912VO0557 (1/1/2013 - 12/31/2013), NJ912VO0567 (8/1/2013 - 12/31/2013), NJ912VO0568 (6/1/2013 - 12/31/2013), NJ912VO0572 (10/1/2013 - 12/31/2013), NJ912AF0104 (1/1/2014 - 1/31/2014), NJ912AFHV19 (1/1/2014 - 1/31/2014), NJ912AFR313 (1/1/2014 - 1/31/2014), NJ912VO0573 (1/1/2014 - 1/31/2014), NJ912AF0105 (2/1/2014 - 2/28/2014), NJ912VO0590 (2/1/2014 - 2/28/2014), NJ912AF0106 (3/1/2014 - 3/31/2014), NJ912VO0594 (3/1/2014 - 3/31/2014), NJ912AF0107 (4/1/2014 - 4/30/2014), NJ912VO0595 (4/1/2014 - 4/30/2014), NJ912AF0108 (5/1/2014 - 5/31/2014), NJ912AF0109 (6/1/2014 - 6/30/2014), NJ912AFR413 (6/1/2014 - 6/30/2014), NJ912VO0566 (8/1/2013 - 7/31/2014), NJ912VO0570 (10/1/2013 - 9/30/2014), NJ912VO0596 (5/1/2014 - 9/30/2014), NJ912VO0574 (1/1/2014 - 12/31/2014), NJ912VO0575 (1/1/2014 - 12/31/2014), NJ912VO0576 (1/1/2014 - 12/31/2014), NJ912VO0577 (1/1/2014 - 12/31/2014), NJ912VO0578 (1/1/2014 - 12/31/2014), NJ912VO0579 (1/1/2014 - 12/31/2014), NJ912VO0580 (1/1/2014 - 12/31/2014), NJ912VO0581 (1/1/2014 - 12/31/2014), NJ912VO0582 (1/1/2014 - 12/31/2014), NJ912VO0583 (1/1/2014 - 12/31/2014), NJ912VO0584 (1/1/2014 - 12/31/2014), NJ912VO0585 (1/1/2014 - 12/31/2014), NJ912VO0586 (1/1/2014 - 12/31/2014), NJ912VO0587 (1/1/2014 - 12/31/2014), NJ912VO0591 (1/1/2014 - 12/31/2014), NJ912VO0592 (1/1/2014 - 12/31/2014), NJ912VO0593 (1/1/2014 - 12/31/2014), NJ912VO0597 (1/1/2014 - 12/31/2014), NJ912VO0598 (2/1/2014 - 1/31/2015), NJ912VO0599 (2/1/2014 - 1/31/2015), NJ912VO0600 (2/1/2014 - 1/31/2015), NJ912DV0012 (5/1/2013 - 12/31/2013), NJ912DV0013 (1/1/2014 - 3/31/2014), NJ912FSF007 (1/1/2013 - 12/31/2013), NJ912FSF008 (1/1/2014 - 12/31/2014), NJ912R20001 (4/1/2013 - 7/31/2013), NJ912R20003 (7/1/2013 - 12/31/2013)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-004 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169).* The PHA submits this form electronically to HUD via the VMS monthly on the same basis of accounting (full or modified) as the PHA prepares its annual financial submission to HUD through the FASS-PH system. Congress has instructed HUD to use VMS data to determine renewal funding levels. HUD also uses VMS data for other funding, monitoring, and SEMAP-related decisions. HUD relies on the audit of the key line items below to determine the reasonableness of the data submitted for the purposes of calculating funding under the program. *Key Line Items* **-** All of the line items under the categories below contain critical information:

(1) Unit Months Leased

(2) HAP Expenses

(3) All Specific Disaster Voucher Programs

Condition

The Department of Community Affairs (the Department) is required to submit Financial Reports to HUD on a monthly basis utilizing the VMS system. Our testwork noted that of the three reports we selected, supporting documentation was maintained for only two reports. The Department did not maintain support for the September 2013 report as of the date of the transmission. Support was subsequently provided however various line items containing critical information as noted in the above criteria could not be provided to agree to the report submitted to HUD for the respective month. Therefore we were not able to test validity of the report submitted for the selected month.

A similar finding was including in the 2013 prior year single audit report as item 2013-038.

Cause

The Department does not have a formal process in place to maintain support that is used to complete the HUD-52681-B.

Effect

The Department was unable to provide the appropriate required VMS system data to support one of their HUD-52681-B submission.

Recommendation

We recommend that the Department implement procedures to ensure that they maintain the appropriate support for each report submitted to HUD.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management’s corrective action plan.

(Continued)

CDBG - State Administered CDBG Cluster (14.228)

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)

Housing Voucher Cluster (14.871, 14.879)

Grant Award Numbers and Years:

NJ912AF0099 (7/1/2013 - 7/31/2013), NJ912VO0564 (7/1/2013 - 7/31/2013), NJ912VO0565 (7/1/2013 - 7/31/2013), NJ912VO0569 (8/1/2013 - 8/31/2013), NJ912AF0100 (7/1/2013 - 9/30/2013), NJ912AFR213 (9/1/2013 - 9/30/2013), NJ912VO0562 (7/1/2013 - 9/30/2013), NJ912VO0563 (7/1/2013 - 9/30/2013), NJ912AF0102 (10/1/2013 - 10/31/2013), NJ912VO0571 (10/1/2013 - 10/31/2013), NJ912AF0103 (11/1/2013 - 12/31/2013), NJ912AFFS12 (1/1/2013 - 12/31/2013), NJ912VO0544 (1/1/2013 - 12/31/2013), NJ912VO0545 (4/1/2013 - 12/31/2013), NJ912VO0546 (4/1/2013 - 12/31/2013), NJ912VO0547 (4/1/2013 - 12/31/2013), NJ912VO0548 (4/1/2013 - 12/31/2013), NJ912VO0549 (4/1/2013 - 12/31/2013), NJ912VO0550 (4/1/2013 - 12/31/2013), NJ912VO0551 (4/1/2013 - 12/31/2013), NJ912VO0552 (4/1/2013 - 12/31/2013), NJ912VO0553 (1/1/2013 - 12/31/2013), NJ912VO0554 (1/1/2013 - 12/31/2013), NJ912VO0555 (1/1/2013 - 12/31/2013), NJ912VO0556 (1/1/2013 - 12/31/2013), NJ912VO0557 (1/1/2013 - 12/31/2013), NJ912VO0567 (8/1/2013 - 12/31/2013), NJ912VO0568 (6/1/2013 - 12/31/2013), NJ912VO0572 (10/1/2013 - 12/31/2013), NJ912AF0104 (1/1/2014 - 1/31/2014), NJ912AFHV19 (1/1/2014 - 1/31/2014), NJ912AFR313 (1/1/2014 - 1/31/2014), NJ912VO0573 (1/1/2014 - 1/31/2014), NJ912AF0105 (2/1/2014 - 2/28/2014), NJ912VO0590 (2/1/2014 - 2/28/2014), NJ912AF0106 (3/1/2014 - 3/31/2014), NJ912VO0594 (3/1/2014 - 3/31/2014), NJ912AF0107 (4/1/2014 - 4/30/2014), NJ912VO0595 (4/1/2014 - 4/30/2014), NJ912AF0108 (5/1/2014 - 5/31/2014), NJ912AF0109 (6/1/2014 - 6/30/2014), NJ912AFR413 (6/1/2014 - 6/30/2014), NJ912VO0566 (8/1/2013 - 7/31/2014), NJ912VO0570 (10/1/2013 - 9/30/2014), NJ912VO0596 (5/1/2014 - 9/30/2014), NJ912VO0574 (1/1/2014 - 12/31/2014), NJ912VO0575 (1/1/2014 - 12/31/2014), NJ912VO0576 (1/1/2014 - 12/31/2014), NJ912VO0577 (1/1/2014 - 12/31/2014), NJ912VO0578 (1/1/2014 - 12/31/2014), NJ912VO0579 (1/1/2014 - 12/31/2014), NJ912VO0580 (1/1/2014 - 12/31/2014), NJ912VO0581 (1/1/2014 - 12/31/2014), NJ912VO0582 (1/1/2014 - 12/31/2014), NJ912VO0583 (1/1/2014 - 12/31/2014), NJ912VO0584 (1/1/2014 - 12/31/2014), NJ912VO0585 (1/1/2014 - 12/31/2014), NJ912VO0586 (1/1/2014 - 12/31/2014), NJ912VO0587 (1/1/2014 - 12/31/2014), NJ912VO0591 (1/1/2014 - 12/31/2014), NJ912VO0592 (1/1/2014 - 12/31/2014), NJ912VO0593 (1/1/2014 - 12/31/2014), NJ912VO0597 (1/1/2014 - 12/31/2014), NJ912VO0598 (2/1/2014 - 1/31/2015), NJ912VO0599 (2/1/2014 - 1/31/2015), NJ912VO0600 (2/1/2014 - 1/31/2015), NJ912DV0012 (5/1/2013 - 12/31/2013), NJ912DV0013 (1/1/2014 - 3/31/2014), NJ912FSF007 (1/1/2013 - 12/31/2013), NJ912FSF008 (1/1/2014 - 12/31/2014), NJ912R20001 (4/1/2013 - 7/31/2013), NJ912R20003 (7/1/2013 - 12/31/2013), B-13-DS-34-001 (4/30/13-4/30/15), B-12-DT-34-001 (effective 8/27/11), B-13-DC-34-001 (effective 7/1/13), B-12-DC-34-001 (effective 7/1/12), B-11-DC-34-001 (effective 7/1/11), B-10-DC-34-001 (effective 7/1/10), B-09-DC-34-001 (effective 7/1/09), B-08-DC-34-001 (effective 7/1/08), B-07-DC-34-001 (effective 7/1/07), B-11-DN-34-001 (effective 3/7/11), B-08-DN-34-001 (effective 3/9/09)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-005 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental sub recipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), New Jersey Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFS). The Department of Community Affairs (the Department) enters transactions into NJCFS by Catalog of Federal Domestic Assistance (CFDA) number as recorded on the grant agreement.

The Department prepares the Federal financial reports from NJCFS and is responsible for reconciling the amounts reported on the Federal financial reports to the amounts reported on the SEFA. On an annual basis, OMB requests the Departments to confirm for each Federal program the expenditures and pass-through payments to subrecipients and report any adjustments to the SEFA to ensure the expenditures of each Federal program are accurately reported. DCA did not reconcile the amount of expenditures reported in the SEFA to the Federal financial reports for the fiscal year ended June 30, 2014. The amounts are included in the table below. The different represents an unreconciled amount that could not be substantiated or explained by the Department.

Program	Federal Financial Report (FFR)	Expenditures Report per FFR	Expenditures per SEFA	Difference
Section 8 Housing Choice Voucher	OMB No. 2536-0107 (FDS)	$ 231,356,219	$ 221,537,971	$ 9,818,248
Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR)	Quarterly Progress Reports (QPR)	$ 592,871,184	$ 588,229,290	$ 4,641,894
CDBG – State Administered CDBG Cluster	QPR related to Hurricane Irene	$ 1,773,443	$ 1,686,292	$ 87,151
CDBG – State Administered CDBG Cluster	QPR related to Neighborhood Stabilization Program 3	$ 2,353,183	$ 2,066,608	$ 286,575
CDBG – State Administered CDBG Cluster	Performance Evaluation Report related to Small Cities	Unknown	$ 7,648,849	Unknown

Cause

The Department does not have a process in place to reconcile the Federal financial reports to the SEFA.

Effect

The expenditures reported on the SEFA may be incorrect.

Recommendation

We recommend that the Department implement procedures to reconcile the Federal financial reports to the SEFA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)

Grant Award Number and Year:

B-13-DS-34-001 (4/30/13-4/30/15)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-006 Activities Allowed or Unallowed and Allowable Costs/Cost Principles and Eligibility

Finding Type: Noncompliance, Significant Deficiencies

Criteria

Activities Allowed or Unallowed, and Allowable Cost/Cost Principles

In accordance with FR–5696–N–01, "The Appropriations Act requires funds to be used only for specific disaster-related purposes. The law also requires that prior to the obligation of funds, a grantee shall submit a plan detailing the proposed use of funds, including criteria for eligibility and how the use of these funds will address disaster relief, long-term recovery, restoration of infrastructure and housing and economic revitalization in the most impacted and distressed areas. Thus, in an Action Plan for Disaster Recovery, grantees must describe uses and activities that: (1) are authorized under title I of the Housing and Community Development Act of 1974 (42 U.S.C.5301 et seq.) (HCD Act) or allowed by a waiver or alternative requirement published in this Notice; and (2) respond to a disaster-related impact. To help meet these requirements, grantees must conduct an assessment of community impacts and unmet needs to guide the development and prioritization of planned recovery activities."

In accordance with the New Jersey Department of Community Affairs Community Development Block Grant Disaster Recovery Action Plan, section 4.2.4.1, incentive payments will be provided to qualified rental property owners to (1) quickly address the need for affordable housing in the State that has been exacerbated by Superstorm Sandy and (2) provide for the immediate needs of displaced low and moderate income households. Subsidies for units will be provided based on the level of affordability mirroring the Federal Section 8 project based methodology. Priority will be given to households earning at or below 50% of AMI.

Eligibility

Eligibility Criteria:

- Projects must provide affordable units to relieve the shortage of affordable rental housing
- Rents payable by the household may not exceed 30% of income for a household earning 80% of AMI; rents payable by the household may not exceed 30% of income for a household earning 50% of AMI for deeply affordable units

Condition

The Department of Community Affairs (the Department) is the primary agency responsible for the administration of the Incentive for Landlord Program (INC) under the terms of the Action Plan. The Department is responsible for performing eligibility determinations of beneficiaries. This occurs once the information is submitted to the

Departments by the landlord. The Department is also responsible for disbursing the Landlord Incentive Payment (LIP) benefits to the landlord based upon the eligibility determination.

We noted the following for a sample of eight beneficiaries selected for testwork:

- A payment was made in error for the lease one month prior to the lease being signed for one beneficiary. The payment made prior to the lease period was $909.

- The gross annual income was incorrectly calculated for three beneficiaries. The amounts are included in the table below. The difference represents the questioned costs.

Beneficiary	**Department calculated gross income paid per month**	**Correct gross income paid per month**	**Number of months eligible**	**Difference**
1	$ 1,034	$ 723	4.5	$ 1,432
2	$ 652	$ 607	5	$ 225
3	$ 716	$ 597	7	$ 833

Cause

The Department did not properly determine the appropriate LIP benefit amount before disbursing benefits.

Effect

LIP benefit payments were made incorrectly or for a period the beneficiary was not eligible.

Recommendation

We recommend that the Department strengthen its eligibility procedures and benefit payments to ensure they are based on appropriate eligibility determinations and the appropriate periods.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

$3,399

View of Responsible Official

See management's corrective action plan.

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)

Grant Award Number and Year:

B-13-DS-34-001 (4/30/13-4/30/15)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-007 Procurement and Suspension and Debarment

Finding Type: Noncompliance, Significant Deficiency

Criteria

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/ (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

We noted for one out of forty procurements selected for testwork, the Department of Community Affairs (the Department) did not follow the appropriate procurement procedures or obtain a waiver prior to the procurement of the services. The Department expended $104,929 for the service.

We also noted for a sample of eight subrecipients selected for testwork, all of which were other governmental entities, the contract did not contain a suspension or debarment certification, nor did the Department verify on the

Excluded Parties List System (EPLS) and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. Total funds passed through to these subrecipients during State fiscal year 2014 were $81,486,571.

Through subsequent review of the vendors' status in EPLS it was determined that none of the eight were suspended or debarred.

Total funds passed through to subrecipients during State fiscal year 2014 for the program were $105,947,200.

Cause

The Department did not follow the State's procurement policies and procedures for the procurement of the above service. Additionally, the Department is not following its policies and procedures to ensure a subrecipient is not suspended or debarred prior to entering into a subaward agreement.

Effect

The Department did not comply with the State procurement policies. The Department may be entering into subaward agreements with subrecipients that are suspended or debarred.

Recommendation

We recommend that the Department strengthen its policies and procedures to ensure the State's procurement policies and procedures are followed and all waiver documents are properly maintained. Further, we recommend that the Department strengthen their policies and procedures to ensure that subrecipients are not suspended or debarred prior to entering into a subaward agreement.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)

Grant Award Number and Year:

B-13-DS-34-001 (4/30/13-4/30/15)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2014-008 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Community Affairs (the Department) enters into subaward agreements with subrecipients in order to administer the Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) Program in the State of New Jersey (the State).

For all eight subrecipients selected for testwork, the Department did not communicate the CFDA name and number and award number to the subrecipients. Total funds passed through to these subrecipients during State fiscal year 2014 were $81,486,571.

Total funds passed through to subrecipients during State fiscal year 2014 were $105,947,200.

Cause

The Department does not have policies and procedures in place to communicate the required Federal award information and applicable compliance requirements to the subrecipients.

Effect

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have incomplete SEFAs in their OMB Circular A-133 Single Audit reports and Federal funds may not be properly audited at the subrecipient level in accordance with OMB Circular A-133.

Recommendation

We recommend that the Department implement policies and procedures to communicate the CFDA and award numbers to all subrecipients.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW-2013SS00032 (09/01/2013-08/31/2014), EMW2012SS00173 (09/01/2012-08/31/2014), EMW2011SS00120 (09/01/2011-08/31/2014), 2010-SS-T0-0068 (09/01/2011-11/30/2013), 2009-SS-T9-0082 (09/01/2010-7/31/2013)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-009 Equipment

Finding Type: Qualified, Material Weakness

Criteria

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of $5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Condition

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety manages the Homeland Security Grant Program (HSGP). Various agencies within the State of New Jersey purchase equipment using funds from HSGP. All agencies are required to adhere to the following State Circulars:

- 11-18-OMB, Capital Assets – this circular sets policies to account for capital assets purchased by the State of New Jersey. It requires capital assets over a specific dollar amount to be reported and accounted for within the Statewide Land and Building Asset Management (LBAM).

- 11-19-OMB, Asset Inventory Requirements – this circular defines the minimum requirements to record and maintain equipment inventory purchases (all equipment with an original cost of $1,000 or more and an expected life of three (3) years or more). It requires agencies to maintain and update a master inventory listing. Inventory records should include the following information:

    - Description of the asset, including type of item, brand name, model, and serial numbers
    - Acquisition date
    - Cost
    - Purchase order and voucher numbers
    - Inventory number (tag control number and/or serial number)
    - Location (LBAM) identification number, address of building, building name, floor, etc.
    - Name of employee charged with custody
    - Source of the monies from which the asset was required (i.e. Federal grants)

  Additionally, an annual inventory of all assets is required and must be certified to the Office of Management and Budget (OMB) at year end.

We selected forty-three equipment transactions for testwork. Included in our sample were purchases made by OHSP, Department of Human Services (DHS), Division of State Police (DSP), and Office of Information Technology (OIT). Total equipment expenditures for the State fiscal year were $6,404,750 of which $677,425 was included in our sample. During our testwork we noted the following:

- For three (two from DSP and one from OIT) of the equipment transactions, the supporting documentation detailed the purchases as other than equipment expenditures. These expenditures were related to IT support/maintenance, licenses, and other fees and were incorrectly charged to equipment. Total expenditures charged for these three transactions was $30,319.

- For five (DSP) of the equipment transactions, the equipment was no longer in the State of New Jersey's possession. The equipment had been transferred to a local government unit. For three of the five, there was a receipt signed by the receiving entity that it received and/or took ownership of the equipment, however there was no identification number on the receipt indicating the serial number of the equipment. For two of the five, there was no support provided that the equipment was accepted by the local government unit, therefore it could not be verified. Total expenditures charged for these equipment transactions was $29,144.

- Twenty nine (DSP) of the equipment transactions were appropriately recorded in an asset inventory listing, however, the detail did not include cost, purchase order/voucher number, location, and source of the monies as required.

- An asset inventory listing was not provided for five (OIT) of the equipment transactions. Total expenditures for these five transactions was $150,000.

- Three (OIT) of the transactions represented components used to build three radio stations for use in the UASI regions. None of the assets were appropriately recorded in LBAM. The total cost of the components included in our sample was $142,800 and the total cost of the three radio stations was $1,444,731.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-037 and 12-21, respectfully.

Cause

The Department does not have procedures in place to identify equipment purchased for local government units and subsequently include these expenditures as passed through to subrecipients. Additionally, the Divisions do not have adequate controls in place to ensure equipment is appropriately tracked and recorded in accordance with the State policies.

Effect

Equipment purchased with Federal Funds is not readily available for inspection and purchases may not be properly classified.

Recommendation

We recommend that the Department implement tracking procedures to identify equipment and to ensure that the proper classification of these expenditures is accounted for in the State accounting system.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW-2013SS00032 (09/01/2013-08/31/2014), EMW2012SS00173 (09/01/2012-08/31/2014), EMW2011SS00120 (09/01/2011-08/31/2014), 2010-SS-T0-0068 (09/01/2011-11/30/2013), 2009-SS-T9-0082 (09/01/2010-7/31/2013)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-010 Allowable Costs/Cost Principles

Finding Type: Noncompliance, Significant Deficiency

Criteria

In accordance with OMB Circular A-87, Attachment B, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety manages the Homeland Security Grant Program (HSGP). OHSP and the Division of State Police (DSP) charge salaries and related fringe benefits to HSGP for employees who work on the grant.

Employees are required to complete a “Biweekly Grant Activity Log” each pay period indicating the hours worked on each program that is signed by both the employee and supervisor. In addition, the employees who work 100% on the grant are also required to sign a “Grant Certification” each quarter certifying the activities performed.

We selected forty employees (twenty-five OHSP and fifteen DSP) whose time was charged to the grant and noted the following:

- For five out of the fifteen DSP payroll transactions selected for testwork, DSP did not provide a “Biweekly Grant Activity Log” or “Grant Certification” to validate that the distribution of activity represented a reasonable estimate of the actual work performed by the employee. Amounts charged to the grant for the five transactions was $14,603 and is included in questioned costs below.

- For four out of the fifteen DSP payroll transactions selected for testwork, DSP provided the quarterly "Grant Certification", however they did not provide the "Biweekly Grant Activity Log" to support the actual time worked on the grant. Amounts charged to the grant for the four transactions was $11,000 and is included in questioned costs below.

- For two out of the fifteen DSP payroll transactions selected for testwork, both the "Biweekly Grant Activity Log" and "Grant Certification" was signed by the same individual on behalf of both the employee and the supervisor. This is considered a control deficiency, therefore there are no questioned costs.

The total salaries and fringe benefits charged to HSGP for the fiscal year ended June 30, 2014 was $2,800,198 and $1,018,325, respectively. Of these amounts $988,153 and $63,955 was charged by DSP.

Cause

DSP does not have proper controls in place to ensure that employees working on Federal grants prepare and sign certifications.

Effect

Salary and related costs allocated to the Federal grant are not appropriately supported by certifications of actual time and effort.

Recommendation

We recommend that DSP implement policies and procedures to ensure that periodic time and effort reports are completed for individuals working on Federal grants.

Related Noncompliance

Based on the above, DSP was not in compliance with the above requirement.

Questioned Costs

$25,603

View of Responsible Official

See management's corrective action plan.

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW-2013SS00032 (09/01/2013-08/31/2014), EMW2012SS00173 (09/01/2012-08/31/2014), EMW2011SS00120 (09/01/2011-08/31/2014), 2010-SS-T0-0068 (09/01/2011-11/30/2013), 2009-SS-T9-0082 (09/01/2010-7/31/2013)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-011 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made. The action was reported in FSRS no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety is responsible for the administration of the Homeland Security Grant Program in the State of New Jersey. Funds are passed through to local government units each fiscal year. OHSP has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA) by the end of the month subsequent to the month during which the funds were obligated. OHSP obligated subawards greater than $25,000 for the following grants, however the FFATA reports were not submitted within the required timeframe as noted:

Grant	Obligation Date	Due Date	Submitted Date
EMW2013SS00032	September 1, 2013	October 31, 2013	August 13, 2014
EMW2011SS00120	September 1, 2011	October 31, 2011	October 8, 2013

Cause

The Department does not have procedures in place to ensure they submit FFATA reports timely.

Effect

The Department did not submit FFATA reports timely for the 2011 and 2013 grants.

Recommendation

We recommend that the Department implement procedures to ensure timely FFATA reporting.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Hazard Mitigation Grant (97.039)

Grant Award Numbers and Years:

Disaster Grants - 1694DRNJP00000001 (4/26/07–4/26/15), 1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001, 4021DRNJP00000001 (8/27/11–8/27/19), 4033DRNJP00000001 (8/13/11–8/15/11), 4039DRNJP00000001 (9/28/11–9/28/19), 4048DRNJP00000001 (10/29/11–10/29/19), 4070DRNJP00000001 (7/19/12–7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

Hazard Mitigation Grant - 1694DRNJP00000001 (4/26/07–4/26/15), 1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001, 4021DRNJP00000001 (8/27/11–8/27/19), 4033DRNJP00000001 (8/13/11–8/15/11), 4039DRNJP00000001 (9/28/11–9/28/19), 4048DRNJP00000001 (10/29/11–10/29/19), 4070DRNJP00000001 (7/19/12–7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-012 Other Requirements – Information Technology General Controls

Finding Type: Material Weakness

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The Department of Law and Public Safety (DLPS) has contracted with MB3 INC. (MB3), a third-party service organization, to develop and provide overall management of the New Jersey Emergency Management Grants website (NJEMGrants). DLPS began using EMGrantsPro (hosted online on the NJEMGrants.org portal) after Disaster 4086, Superstorm Sandy.

The NJEMGrants application is hosted by a third party software vendor, MB3. The MB3 data center is located in Canada and hosts all the relevant servers for the operating system and database pertaining to the NJEMGrants application. MB3's responsibilities include providing software, maintenance and associated software, and configuration services. MB3 is used to host the database, importing data from the Federal Emergency Management Mission Integrated Environment (EMMIE) system, and interfacing with the New Jersey Comprehensive Financial System (NJCFS). DLPS relies upon the data generated and maintained in NJEMGrants for review and processing of project worksheets.

During our procedures, we noted the following control design gaps related to the General Information Technology Controls:

1. *Report on Controls at a Service Organization*

   - DLPS does not currently require MB3 to provide an audit in accordance with Statement on Standards for Attestation Engagements No. 16 (SSAE 16), Reporting on Controls at a Service Organization (formerly Statement on Auditing Standards No. 70), which requires an independent auditor to evaluate and issue an opinion on a service organization's internal controls placed into operation and tested for operating effectiveness. As a result, DLPS does not have a process in place to adequately monitor its third-party service organization to determine whether internal controls that are essential to compliance with Federal requirements for the above program are operating effectively. Obtaining an SSAE 16 report from the third-party service organization would provide DLPS reasonable assurance that internal controls over compliance with the Federal requirements of the program are properly designed and operating effectively, including the controls referred to below.

2. *Security Policy Procedures*

   - A formally documented IT Security policy does not exist to guide general information technology control audit areas such as logical access, change management and operations.

3. *Password Settings*

   - There is no formally documented password settings policy in place at the application level.

4. *Physical Access to Data Center*

   - The data center is managed by MB3, a third-party service organization providing the NJEMGrants application solution.

5. *Administrative Access and Access to Migrate Changes to Production*

   - A process is in place to grant administrative access at the application level that would allow the user to create, modify and delete end-user access. However; administrative access to programs, database and operating system hosting the NJEMGrants application and access to migrate changes to production is handled by the third-party service organization MB3.

6. *Terminations*

   - A formal process does not exist to revoke user access to NJEMGrants application.

7. *Periodic Review of Access*

   - A formal process to review NJEMGrants application user access is not in place. Though an informal user access review is performed for application layer users, there is no formal process established to ensure appropriateness of access including segregation of duties considerations that may require follow-up or adjustment in level of access for end users.

8. *Program Changes*

   - While there is an informal process to test and approve changes requested by the State, there is no formal process related to changes that could potentially be performed by the third-party service organization.

9. *Emergency Changes*

   - While there is an informal process to test and approve changes requested by the State, there is no formal process related to emergency changes that could potentially be performed by the third-party service organization.

A similar finding was included in the 2013 prior year single audit report as item 2013-035.

Cause

The NJEMGrants application, database and operating system is hosted and managed by the application service provider MB3 at their location in Canada. This is an off-the-shelf application and DLPS does not have access to source code and/or direct access to the database. The contract with MB3 does not require an SSAE 16 report from the third-party service organization. Additionally, DLPS does not have alternate procedures in place in ensure that the controls at the third-party service organization are designed and operating effectively.

Effect

Controls at the third-party service organization may not be adequate to ensure compliance with the Federal requirements. Additionally, DLPS may not be aware of additional mitigating controls that they would be need to have in place to compensate any deficiencies in the controls at the third-party service organization.

Recommendation

We recommend that DLPS review its procedures for monitoring its third-party service organization and implement any changes necessary to ensure internal controls are properly designed and operating effectively at the service organization.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Cost

None

View of Responsible Official

See management’s corrective action plan.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1694DRNJP00000001 (4/26/07–4/26/15), 1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001, 4021DRNJP00000001 (8/27/11–8/27/19), 4033DRNJP00000001 (8/13/11–8/15/11), 4039DRNJP00000001 (9/28/11–9/28/19), 4048DRNJP00000001 (10/29/11–10/29/19), 4070DRNJP00000001 (7/19/12–7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-013 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Law and Public Safety (the Department) has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. Based on our selection of forty subawards for testwork, the following was noted:

- For thirty-eight of the forty subawards selected for testwork, the Department did not make a good faith effort to submit the required subaward data required under FFATA.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA as it relates to Public Assistance Grant subawards.

Effect

The Department did not report the subaward data required under FFATA for all subawards.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1867DRNJP00000001 (3/15/2010-3/15/18), 1873DRNJP0000001 (2/5/10-2/5/18), 1897DRNJP00000001 (4/2/10 – 4/2/18), 1954DRNJP00000001 (2/4/11 – 2/4/19), 4021DRNJP00000001 (8/27/11 – 8/27/19), 4033DRNJP00000001 (8/13/11 – 8/15/11)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-014 Cash Management

Finding Type: Noncompliance, Significant Deficiency

Criteria

Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B). In accordance with Subpart B of 31 CFR part 205.33, (a) a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3). (b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State) and is responsible for the drawdown and disbursement of funds. In accordance with CFR 206.207, the State is required to develop a plan for the administration of the Public Assistance program. Per review of the State of New Jersey, State Administrative Plan 2013, which was provided during the audit, "The State cannot request funds more than three business days before the day it disburses them."

The Department is not drawing down funds and subsequently disbursing them in accordance with the State Administrative Plan.

For three out of the forty sampled subrecipient payments, the Department did not disburse the funds within three business days after they were drawn down. The amount of time that had elapsed between the drawdown of the funds and the actual payment to the applicant was between four and seven days. The total amount of the three payments tested were $1,454,217.

A similar finding was included in the 2013, 2012, and 2011 prior year single audit reports as items 2013-034, 12-17, and 11-36, respectively.

Cause

The Department did not request and disburse public assistance funds in accordance with the State Administrative Plan.

Effect

Amounts paid to subrecipients from the Federal Government drawdowns were not disbursed within the time frame as required by the State Administrative Plan.

Recommendation

We recommend the Department strengthen its procedures over cash management to ensure the time period between the drawdown and disbursement of funds is minimized in accordance with the State Administrative Plan.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

(Continued)

Hazard Mitigation Grant (97.039)

Grant Award Numbers and Years:

1694DRNJP00000001 (4/26/07–4/26/15), 1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001, 4021DRNJP00000001 (8/27/11–8/27/19), 4033DRNJP00000001 (8/13/11–8/15/11), 4039DRNJP00000001 (9/28/11–9/28/19), 4048DRNJP00000001 (10/29/11–10/29/19), 4070DRNJP00000001 (7/19/12–7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-015 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. Based on our selection of forty of these subawards for testwork, none of the subawards were reported. The Department did not make a good faith effort to submit the subaward data required under FFATA.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA as it relates to Hazard Mitigation Grant subawards.

Effect

The Department did not report the subaward data required under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Hazard Mitigation Grant (97.039)

Grant Award Numbers and Years:

4070DRNJP00000005 (7/19/12-7/19/20), 4086DRNJP00000005 (10/26/12-10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-016 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both a financial status and a cash report unless otherwise indicated.

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Hazard Mitigation Grant for the State of New Jersey (the State) and is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. We selected eighteen FFRs submitted for the State fiscal year 2014. For two of the eighteen FFRs selected, the Department reported the following incorrect amounts pertaining to the "Federal Funds authorized" for these disasters:

Disaster	Quarter	Amount Reported	Correct Amount
DR4070	12/31/13	$9,902,088	$1,103,600
DR4086	12/31/13	$9,902,088	$71,455,710

Additionally, when the Department transfers budgetary spending authority to other state agencies they include the transfer amount on the "Cash Disbursements" line of the FFR. In our testwork over the FFR for the quarter ending June 30, 2014, we noted that the Department reported $37,166,780 as "Cash Disbursements" for the quarter ended

(Continued)

June 30, 2014 when the actual amount expended was $30,767,340, a difference of $6,399,439. This amount is reported as questioned costs below.

Cause

The Department incorrectly reported the “Federal Funds Authorized” and “Cash Disbursements” on the financial reports.

Effect

The Department inaccurately reported authorized and actual Federal expenditures on the SF-425 report.

Recommendation

We recommend that the Department strengthen its procedures to ensure reports are reviewed and verified to ensure completeness and accuracy prior to submission.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

$6,399,439

View of Responsible Official

See management’s corrective action plan.

(Continued)

Hazard Mitigation Grant (97.039)

Grant Award Numbers and Years:

1694DRNJP00000001 (4/26/07–4/26/15), 1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001, 4021DRNJP00000001 (8/27/11–8/27/19), 4033DRNJP00000001 (8/13/11–8/15/11), 4039DRNJP00000001 (9/28/11–9/28/19), 4048DRNJP00000001 (10/29/11–10/29/19), 4070DRNJP00000001 (7/19/12–7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-017 Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

In accordance with OMB Circular A-87, Attachment B, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition

The Department of Law and Public Safety, Division of State Police (DSP) charges salaries and related fringe benefits to the Hazard Mitigation Program for employees who work on the grant. We selected forty employees whose time was charged to the grant and noted that the DSP did not ensure that periodic time and effort reports were completed by the respective employees in order to validate that the distribution of activity represented a reasonable estimate of the actual work performed by the employee. Neither the employees nor a supervisor confirmed the time and effort expended by the individuals working on the grant.

The total salaries and fringe benefits charged to the Hazard Mitigation Program for the DSP for the fiscal year ended June 30, 2014 was $799,320 and $318,996, respectively.

Cause

DSP does not have controls in place to ensure the requirement of time and effort reporting.

(Continued)

Effect

Salary and related costs allocated to the Federal grant are not appropriately supported by certifications of actual time and effort.

Recommendation

We recommend that DSP ensure adherence to their policies and procedures in order to make sure that periodic time and effort reports are completed for individuals working on Federal grants.

Related Noncompliance

Based on the above, DSP was not in compliance with the above requirement.

Questioned Costs

$1,118,316

View of Responsible Official

See management’s corrective action plan.

(Continued)

Hazard Mitigation Grant (97.039)

Grant Award Numbers and Years:

4070DRNJP00000005 (7/19/12-7/19/20), 4086DRNJP00000005 (10/26/12-10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2014-018 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.

- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

- Amount of awards – Larger dollar awards are of greater risk.

- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Law and Public Safety (the Department) is the agency responsible for administration of the Hazard Mitigation Grant Program (HMGP) in the State of New Jersey (the State). In accordance with CFR 206.207, the State is required to develop a plan for the administration of the Public Assistance program. Per review of the State of New Jersey, State Administrative Plan 2014, the Department is responsible for program monitoring and reporting to verify that projects are being completed and that funds are being spent as reported on sub-grantee performance reports. At a minimum, there will be three primary field inspections of each project; (1) evaluating the application, (2) when approximately 50% of approved funding is to be reimbursed; and (3) a final inspection when the project is complete.

There were thirteen active projects during fiscal year 2014. We selected three projects for testwork. It was noted that all three projects did not have the required field inspections performed. The total amount passed through to the subrecipients for these projects was $1,401,112.

Cause

The Department was not aware of the requirement.

Effect

Projects are not monitored in accordance with the State Administrative Plan.

Recommendation

We recommend that the Department implement procedures to ensure that all field inspections are performed in accordance with the Federal requirements.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Unemployment Insurance (17.225)

Grant Award Numbers and Years:

UI-22328-12-55-A-34 (10/1/11 – 9/30/12), UI-23907-13-55-A-34 (10/1/12 – 9/30/13)

State Agency: Department of Labor & Workforce Development
Office of Information Technology

Federal Agency: U.S. Department of Labor

Finding: 2014-019 Other Requirements – Information Technology General Controls

Finding Type: Significant deficiency

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Office of Information Technology (OIT) oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure, which includes the New Jersey Local Office On-line Payment System (NJLOOPS) databases and IBM mainframes. As part of OIT's oversight for NJLOOPS, OIT develops and maintains a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with NJLOOPS.

The Department of Labor and Workforce Development (the Department) is responsible for the administration of the Unemployment Insurance program in the State. The State utilizes NJLOOPS to determine eligibility of unemployment claims filed throughout the State, calculate the monetary entitlement of claimants to ensure consistency of payment amounts, automate the initial claims entry to track all claims by social security number, program code, and date of claim, track all determinations which affected any week of eligibility to ensure payments were made only when due, and track payments of unemployment insurance to eliminate duplicate payments.

We noted the following deficiencies in the design of IT general controls over NJLOOPS:

1. *Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)*

   - Data Center Access is not limited only to individuals that require access to the SAC and OARS server room. OIT shares the SAC data center where critical NJLOOPS systems are held with other State Agencies. During the course of our test work, there were 205 individuals that can access the SAC data center room where servers are housed. Additionally, during the course of our test work, it was noted that 172 individuals have access to the OARS recovery site data center. It was noted that access to the data center server room is not restricted to only those that have assigned responsibilities for which they require access to the data center.

2. *Appropriateness of Access*

- Periodic review of end user accounts for appropriateness is not performed for NJLOOPS and Windows network. This review has not been performed in the past, therefore although controls related to granting, changing, and terminating access may be appropriate currently, there is a potential that some users of the system may continue to have access in NJLOOPS or the network that they no longer require.

- Certain individuals that have access to the development environment also have access to make changes to the production environment in NJLOOPS. Therefore, there is no segregation of duties in this area. Though a review of changed objects is done at year end, there are no change monitoring controls in place.

- Our review of users with access to benefit calculation table in NJLOOPS application noted two users that are not part of the Unemployment Insurance (UI) group have update access to the benefit calculation table.

- Our review of terminated employees for OIT and DLWD with active users on the network and NJLOOPS noted eleven employees with active accounts on network and NJLOOPS out of which: one OIT terminated user's account was noted to be active on Windows network, two terminated OIT users' accounts were noted to be active on NJLOOPS application and eight terminated DLWD user's accounts were noted to be active on NJLOOPS application.

3. *Disaster Recovery*

- A Disaster Recovery plan over NJLOOPS is not in place and has not been tested during State fiscal year 2014.

A similar finding was included in the 2013, 2012, and 2011 prior year single audit reports as items 2013-018, 12-35, and 11-1, respectively.

Cause

1. *Access at the Data Center at SAC and OARS*

- Formalized procedures for the review of individuals that have access to the Data Center to validate that they require access to the Server Room are not developed and a review is not conducted.

2. *Appropriateness of Access*

- A user account review was not performed to validate appropriateness of access for end users.

- The system does not enforce segregation of duties, where individuals can only be given access to the development environment or the production environment in NJLOOPS. Individuals can get access at both levels that would enable them to modify and develop code in the development environment and then move that code to production without management review.

- The system does not enforce segregation of duties, where individuals can only be given access to application support and not the benefits calculation table in the NJLOOPS database.
- The terminated users' accounts were not disabled/deleted from the network or NJLOOPS application in a timely manner.

3. *Disaster Recovery*

- Formalized Disaster Recovery procedures are not in place and testing is not performed.

Effect

1. *Access at the Data Center at SAC and OARS*

- There is a risk of inappropriate access to the servers that house critical data for the State to administer its Federal programs.

2. *Appropriateness of Access*

- A lack of system controls and configuration, as well as inappropriate monitoring of access to data and delay in removal of access for terminated individuals, could result in not having accountability, inaccurate data being stored and inappropriate use of information. Individuals that should not have access to the system may be able to access information that is not intended for them.

3. *Disaster Recovery*

- The absence of periodic recovery tests may prevent recovery of the NJLOOPS application data in case of a disaster.

Recommendation

1. *Access at the Data Center at SAC and OARS*

- We recommend that OIT perform the following with regard to access to the Data Center:
  - Provide access to only those individuals that are required and approved to enter the Data Center.
  - Perform reviews of users that can access the Data Center and Server Room on a periodic basis to determine that only appropriate individuals were allowed access to the Data Center and Server Room.

2. *Appropriateness of Access*

- We recommend that access reviews be performed periodically to validate that the individuals that maintain access to the system are appropriately maintained based on their current role within the Department/State. In addition, user accounts should be timely disabled or deleted on termination or transfer out of the Department/State.
- We recommend that there be segregation of duties in accounts where the same individuals do not have access to make changes both in the development environment and the production environment.

(Continued)

- We recommend that there be segregation of duties in accounts whereby users outside the UI group (such as application support) do not have access to the benefits calculation table within the NJLOOPS database.
- We recommend that access for terminated users be disabled from network and relevant applications within one business day of termination.

3. Disaster Recovery

- We recommend that formalized Disaster Recovery procedures be defined, and testing be performed periodically to assess the process, tools, and people involved with this process.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Cost

None

View of Responsible Official

See management's corrective action plan.

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)

Grant Award Numbers and Years:

H126A120043 (10/1/11-9/30/13); H126A130043 (10/1/12-9/30/14); H126A140043 (10/1/13-9/30/15)

State Agency: Department of Labor & Workforce Development

Federal Agency: U.S. Department of Education

Finding: 2014-020 Eligibility

Finding Type: Noncompliance, Significant Deficiency

Criteria

An individual is eligible for Vocational Rehabilitation (VR) services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or

b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition

The Department of Labor & Workforce Development (the Department) is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Grants to States program and determines the eligibility of individuals at local field offices. As part of the eligibility determination the agency conducts a financial needs assessment of each individual prior to or at the Individualized Plan for Employment (IPE) conference.

For seven of the forty participants selected for testwork, we noted that the Department did not make the eligibility determinations within the required 60 day timeframe. The determinations were made ranging from 62 to 434 days after receipt of the individual's application. In all cases, the Department was also unable to provide support of any exceptional or unforeseen circumstances beyond their control that would allow for an approved extension of time beyond the 60 days.

(Continued)

Cause

The Department's policies and procedures were not sufficient to ensure that the VR counselors made the required determinations of eligibility within the 60 day timeframe.

Effect

Individuals will not receive the needed support under the Vocational Rehabilitation Grants to States program due to the delay in the determination of eligibility.

Recommendation

We recommend that the Department strengthen review and approval procedures to ensure that the eligibility determinations are completed within the required 60 day period after receipt of application.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)

Grant Award Number and Year:

H126A120043 (9/30/12-9/30/14)

State Agency: Department of Labor & Workforce Development

Federal Agency: U.S. Department of Education

Finding: 2014-021 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure third party providers have appropriate internal controls to process transactions and prepare reports properly and in compliance with Federal requirements.

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental subrecipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Department of Labor & Workforce Development (the Department) is the primary recipient of the Vocational Rehabilitation Grants to States program and responsible for the reporting of expenditures to the Federal Government. The Department did not properly report the State share of expenditures for the H126A120043 SF-425 report for the period ending September 30, 2013 which resulted in an understatement of expenditures of $49,334.

Cause

The Department does not have adequate controls in place to ensure compliance with reporting.

Effect

The amount reported as the state share of expenditures to the Federal government was not correct.

(Continued)

Recommendation

We recommend that the Department strengthen its procedures in place to review all aspects of the Federal financial reports prior to submission.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Disability Insurance/SSI Cluster (96.001)

Grant Award Numbers and Years:

FFY13 04-1304NJDI00 (10/1/12 – 9/30/13), FFY12 04-1204NJDI00 (10/1/11 – 9/30/12)

State Agency: Department of Labor & Workforce Development

Federal Agency: Social Security Administration

Finding: 2014-022 Period of Availability

Finding Type: Noncompliance, Significant Deficiency

Criteria

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (OMB Circular A-110 (2 CFR section 215.28)).

Obligations must be based on a bona fide need for goods or services that exist within the Federal fiscal year (October 1 through September 30) and must be made no later than six months after the close of that fiscal year (March 30). The intent of this policy is to allow the DDS sufficient time to incur the fiscal year obligation through State purchasing procedures when funding is authorized late in the year (DI 39506.200 The Reporting Process - Recording and Reporting Obligations).

State agencies will report fiscal year obligations by line item for each fiscal year still open. A fiscal year is considered open until all obligations have been liquidated. However, regardless of whether unliquidated obligations remain, 31 U.S.C. 1552 provides that on September 30 of the fifth fiscal year after the period of availability for obligation ends, the account closes and any remaining obligation or unexpended amounts are cancelled and become unavailable for expenditure. Therefore, it is important that States resolve all unliquidated obligations by that time. States will be unable to recover funding for any unliquidated obligation once the account is closed (DI 39506.203 Updating and Reconciling Unliquidated Obligations).

Condition

The Department of Labor & Workforce Development (the Department) is responsible for the administration of the Disability Insurance/SSI Cluster (DI/SSI) in the State of New Jersey. The U.S. Social Security Administration (SSA) issued the Department Federal DI/SSI grant awards with effective periods of October 1, 2011 to September 30, 2012 (2012) and October 1, 2012 to September 30, 2013 (2013), respectively.

For one of the forty expenditure transactions selected for testwork, the amount was obligated and expenditure was incurred after the obligation date (March 31, 2013) and grant period (September 30, 2012) had expired. The expenditure amount of $1,671 was incurred for the month ended February 28, 2014 and was subsequently paid on March 12, 2014.

For one other of the forty expenditure transactions selected for testwork, the amount was obligated within the required timeframe (by March 31, 2014), however, the related expenditure was incurred after the grant period (September 30, 2013) had expired. The expenditure amount of $1,480 was incurred for the month ended March 31, 2014 and was subsequently paid on May 8, 2014.

The total expenditures included in the sample of forty transactions was $1,913,812 and the total other than personal service expenditures charged to the DI/SSI program was $4,126,421 for the fiscal year ended June 30, 2014.

Cause

The Department did not perform adequate review procedures to ensure that the underlying obligations and expenditures were made and incurred within the respective grant periods of availability.

Effect

The Department charged costs to the Federal DI/SSI grant awards that were either obligated and/or incurred after the grant awards period of availability had expired.

Recommendation

We recommend that the Department strengthen review procedures to ensure that expenditures are properly obligated and incurred within the respective grant award periods.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Questioned costs of $3,150 represent the invoice amounts charged to the Federal DI/SSI grant awards of 2012 and 2013 of $1,671 and $1,498, respectively.

View of Responsible Official

See management's corrective action plan.

Workforce Investment Act (WIA) National Emergency Grants (17.277)

Grant Award Number and Year:

EM-23957-13-60-A-34 (Hurricane Sandy)

State Agency: Department of Labor & Workforce Development
Department of Military and Veterans Affairs

Federal Agency: U.S. Department of Labor

Finding: 2014-023 Allowable Costs/Cost Principles

Finding Type: Noncompliance, Significant Deficiency

Criteria

In accordance with OMB Circular A-87, Attachment B, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition

The Department of Labor & Workforce Development entered into an agreement with the Department of Military and Veterans Affairs to administer a portion of the Workforce Investment Act National Emergency Grants program during the year ended June 30, 2014. The Department of Military and Veterans Affairs charged salaries and related fringe benefits to the Workforce Investment Act National Emergency Grants program. We selected forty employees whose time was charged to the grant and noted that the Department of Military and Veterans Affairs did not ensure that periodic time and effort reports were completed by the employees to validate that the distribution of activity represents a reasonable estimate of the actual work performed by the employees during the periods covered by the reports. Neither the employees nor a supervisor was required to confirm the time and effort expended by the individual working on the grant.

The total salaries and fringe benefits charged to the Workforce Investment Act National Emergency Grants that was administered by the Department of Military and Veterans Affairs for the fiscal year ended June 30, 2014 was \$989,948 and \$77,955, respectively, and has been included as questioned costs.

Cause

The Department of Military and Veterans Affairs does not have controls in place to ensure the requirement of time and effort reporting is performed for their employees.

Effect

Salary and related costs allocated to the Federal grant are not appropriately supported by certifications of actual time and effort.

Recommendation

We recommend that the Department of Military and Veterans Affairs ensure their employees complete time and effort reporting certifications as required by Federal regulations.

Related Noncompliance

Based on the above, the Department of Military and Veterans Affairs was not in compliance with the above requirement.

Questioned Costs

$1,067,903

View of Responsible Official

See management's corrective action plan.

National Guard Military Operations and Maintenance (O&M) Projects (12.401)

Grant Award Numbers and Years:

W912KN-10-2-1000, W912KN-10-2-1001, W912KN-10-2-1002, W912KN-10-2-1003, W912KN-10-2-1005, W912KN-10-2-1021, W912KN-10-2-1024, W912KN-12-2-4002

State Agency: Department of Military and Veterans Affairs

Federal Agency: U.S. Department of Defense

Finding: 2014-024 Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

In accordance with OMB Circular A-87, Attachment B, where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Personnel activity reports or equivalent documentation must meet the following standards: (a) they must reflect an after-the-fact distribution of the actual activity of each employee; (b) they must account for the total activity for which each employee is compensated; (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

Condition

The Department of Military and Veterans Affairs charged salaries and related fringe benefits to the National Guard Military Operations and Maintenance (O&M) Projects for employees who worked on the grant. We selected forty employees whose time was charged to the grant and noted that the Department did not ensure that periodic time and effort reports were completed by the respective employees in order to validate that the distribution of activity represented a reasonable estimate of the actual work performed by the employee. Neither the employees nor a supervisor confirmed the time and effort expended by the individuals working on the grant.

The total salaries and fringe benefits charged to the National Guard Military O&M Projects for the fiscal year ended June 30, 2014 was $7,927,154 and $1,565,046, respectively.

Cause

The Department does not have controls in place to ensure that employees working on Federal grants prepare and sign certifications.

Effect

Salary and related costs allocated to the Federal grant are not appropriately supported by certifications of actual time and effort.

Recommendation

We recommend that the Department ensure their employees complete time and effort reporting certifications as required by Federal regulations.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

$9,492,201

View of Responsible Official

See management's corrective action plan.

National Guard Military Operations and Maintenance (O&M) Projects (12.401)

Grant Award Numbers and Years:

W912KN-10-2-1000, W912KN-10-2-1001, W912KN-10-2-1002, W912KN-10-2-1003, W912KN-10-2-1005, W912KN-10-2-1021, W912KN-10-2-1024, W912KN-12-2-4002

State Agency: Department of Military and Veterans Affairs

Federal Agency: U.S. Department of Defense

Finding: 2014-025 Suspension and Debarment

Finding Type: Qualified, Material Weakness

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

The Department of Military and Veterans Affairs enters into various contracts with vendors in order to administer the National Guard Military O&M Projects.

During our testwork, the following was noted:

- For eighteen procurement transactions selected for testwork, the Department did not verify the vendor's suspension or debarment status by checking the Excluded Parties List System (EPLS) or by collecting a certification from the vendor. Total funds provided to these vendors was $909,397.

Through subsequent review of the vendors' status in EPLS it was determined that none of the eighteen were suspended or debarred.

Cause

The Department does not have policies or procedures in place to check a vendor's suspension or debarment status prior to entering into a contract.

Effect

The Department may be entering into contract agreements with vendors that are suspended or debarred.

Recommendation

We recommend that the Department implement policies and procedures to ensure they determine if a vendor is suspended or debarred prior to entering into a contract agreement.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Veterans State Nursing Home Care (64.015)

State Agency: Department of Military and Veterans Affairs

Federal Agency: Department of Veterans Affairs

Finding: 2014-026 Reporting

Finding Type: Significant Deficiency

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental sub recipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), New Jersey Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFS). The Department of Military and Veterans Affairs (the Department) is responsible for communicating Federal identification information to OMB to ensure Federal program expenditures are accurately recorded and tracked within NJCFS and expenditure transactions are entered into NJCFS by Catalog of Federal Domestic Assistance (CFDA) number as recorded on the grant agreement. The Department operates three Nursing Homes in Paramus, Vineland and Menlo, NJ.

The Department communicated an incorrect CFDA number to OMB and recorded transactions for the Veterans State Nursing Home Care under incorrect CFDA number 64.025. According to the Federal CFDA catalog and grant agreement, the correct CFDA number for Veterans State Nursing Home Care is CFDA 64.015. The amount reported for this program in NJCFS during the State fiscal year 2014 was $31,588,440, and has been adjusted on the SEFA by OMB.

Cause

The Department did not record transactions into NJCFS under the appropriate CFDA number.

Effect

The expenditures are not reported on NJCFS and the SEFA under the appropriate CFDA number. The SEFA was subsequently adjusted prior to submission of the State single audit report.

Recommendation

We recommend that the Department implement procedures to ensure that the appropriate Federal identification number is communicated to OMB to ensure expenditures are coded to the proper CFDA number and recorded accurately in NJCFS.

Related Noncompliance

Not applicable as this is an internal control finding

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Public Health Emergency Preparedness (93.069)

Immunization Cooperative Agreements (93.268)

Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)

National Bioterrorism Hospital Preparedness Program (93.889)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

13131NJ704W1003 (10/1/12 – 9/30/13), 14141NJ704W1003 (10/1/13 – 9/30/14), 5U90TP00536 (7/1/13 – 6/30/14), 1H23IP000728 (1/1/13 – 12/31/13), 5H23IP000728 (1/1/14 – 12/31/14), X02MC23119-01 (9/30/11 – 9/29/14), X02MC26333-01 (9/1/13 – 9/30/15), D89MC23540-02 (3/31/13 – 9/30/2015), X07HA00017-23 (4/1/13 – 3/31/14), X07HA00017-24 (4/1/14 – 3/31/15)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Finding: 2014-027 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Health (the Department) has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2014.

A similar finding was included in the 2013, 2012, and 2011 prior year single audit reports as items 2013-021, 12-26, and 11-45, respectively.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the required subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

(Continued)

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Grant Award Numbers and Years:

13131NJ704W1006 (10/1/12 – 9/30/13), 14141NJ704W1006 (10/1/13 – 9/30/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

Finding: 2014-028 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Food Instrument and Cash-Value Voucher Disposition

A State agency must account for all Food Instruments (FIs) issued within 120 days of the FI's first valid date for participant use. This requirement also applies to Cash-Value Vouchers (CVVs). The State agency must identify all FIs and CVVs as either issued or voided; and identify issued FIs and CVVs as either redeemed or unredeemed. Redeemed FIs and CVVs must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records. State agencies generally do this by analyzing computer reports that provide detailed issuance and redemption information on each FI and CVV. In an Electronic Benefit Transfer (EBT) system, however, this requirement may be met by linking the Primary Account Number associated with the electronic transaction to valid enrollment and issuance records. EBT systems aggregate benefits for all participants in a family or household. Therefore, the benefits issued shall match benefits redeemed only at the aggregate (household or family) level. The State agency's management information system shall account for individual participant benefits aggregated for any family or household (7 CFR section 246.12(q)).

Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors

A State agency operating a retail food delivery system must take the following actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor and farmer agreements:

a. *FI and CVVs Review Process* – The State agency must have in place a process for reviewing all, or a representative sample of, FIs and CVVs submitted by vendors for redemption. For EBT systems, this would be a daily automated reconciliation process with follow-up procedures to resolve any discrepancies identified. The review is done on an aggregate basis rather than on a vendor or farmer basis. Because of the wide disparity in the number of FIs and CVVs processed by State agencies, there are no criteria for determining what constitutes a representative sample, other than that it must be a representative sample of FIs and CVVs submitted (7 CFR section 246.12(k)(1)). At a minimum, this process must be able to detect:

    (1) Redeemed monetary amounts that exceed the maximum monetary purchase amounts established by the State agency for each type of FI and CVV.

        (a) For FIs, this includes checking for amounts exceeding maximum amounts based on peer groups, above-50-percent status, not-to-exceed amounts printed on the FIs, and thresholds used to indicate possible overcharging (a sanctionable violation that involves charging WIC customers more than non-WIC customers for the same food items). In EBT systems, the not-to-exceed edits are performed during daily processing of each purchase submitted for payment by authorized retail vendors.

(b) For CVVs, this includes checking thresholds used to indicate possible overcharging. In an EBT system, a CVV purchase that exceeds the EBT benefit balance for CVV purchases has one of three possible outcomes: (i) it is denied; (ii) the WIC customer is allowed to pay the portion not covered by EBT benefits, using another medium of exchange; or (iii) the number of purchased fruits and vegetables is reduced to bring the price within the available EBT benefit balance (7 CFR section 246.12(h)(3)(x)).

(2) Other errors, including purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; FIs and CVVs transacted or redeemed after the specified time period; and altered purchase price.

(3) Questionable FIs and CVVs which, while they may not clearly contain errors, nevertheless require follow-up to determine if an error has occurred.

b. *Follow-up on Erroneous or Questionable FIs and CVVs* – The State agency must follow up on FIs containing errors and other questionable FIs and CVVs detected through this process within 120 days following detection. Regulations at 7 CFR sections 246.12(k)(2) through (k)(5) describe appropriate follow-up actions (7 CFR section 246.12(k)).

Condition

The Department of Health (the Department) is responsible for ensuring that all food instruments and cash-value vouchers are properly disposed of as well as reviewed to enforce price limitations and detect errors. The State contracted with Solutran to process food instruments/cash-value vouchers and the related data. For each instrument or cash-value voucher received by Solutran, the check number, dollars deposited, date of the check deposit and vendor who deposited the check are recorded. This information is sent to CMA Consulting Services (CMA), each day for reconciliation based on the information provided by the local agency for issued food vouchers and cash-value vouchers. On a monthly basis, CMA will generate a Food Instrument and Cash-Value Voucher Reconciliation Summary to summarize all vouchers which matched in terms of the information provided by Solutran and the local agencies and detail out all vouchers that did not match. Per the Department’s policy, all of these exceptions should be reconciled within the 120 day timeframe. For one of the three months selected for testwork, the reconciliation was incomplete.

A similar finding was included in the 2013 prior year single audit report as item 2013-025.

Cause

The Department had limited staff to perform the reconciliation due to retirements and a hiring freeze.

Effect

Failure to perform timely reconciliations could result in FIs and CVVs being incorrectly processed, not detected or corrected within the 120 day timeframe required under Federal regulations and State policy.

Recommendation

We recommend that the Department strengthen its procedures to ensure all food instrument and cash-value voucher exceptions are reconciled within the 120 day timeframe.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Grant Award Numbers and Years:

13131NJ704W1003 (10/1/12 – 9/30/13), 14141NJ704W1003 (10/1/13 – 9/30/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

Finding: 2014-029 Cash Management

Finding Type: Noncompliance, Significant Deficiency

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B).

Condition

On an annual basis, the State of New Jersey, Office of Management and Budget (the State OMB), enters into a Treasury-State Agreement for programs covered under the CMIA. This agreement specifies terms and conditions for the programs covered under the agreement, including prescribed drawdown methods and clearance patterns. If the State becomes aware of the need to make changes to the agreement, it is required to be communicated to the Federal Department of the Treasury within 30 days.

The Department of Health (the Department) is responsible for drawing funds for the Special Supplemental Nutrition Program for Women, Infants and Children (the WIC program), which is covered under the Treasury-State Agreement for State fiscal year 2014. For subrecipient payments, the agreement specifies that draws should occur so that Federal funds are received 8 days after the disbursement of State funds. For all subrecipient payment draws performed during State fiscal year 2014 prior to March 2014, the Department drew the funds 6 days after the disbursement of State funds.

A similar finding was included in the 2013 prior year single audit report as item 2013-022.

Cause

The Department failed to review the Treasury-State Agreement.

Effect

The Department is not drawing funds in accordance with the Treasury-State Agreement.

(Continued)

Recommendation

We recommend that the Department draw and disburse Federal funds in accordance with the Treasury-State Agreement and report any changes to the State OMB to ensure that such changes are reported to the Federal Government within the required timeframe.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined.

View of Responsible Official

See management's corrective action plan.

Immunization Cooperative Agreements (93.268)

Grant Award Numbers and Years:

1H23IP000728 (1/1/13 – 12/31/13), 5H23IP000728 (1/1/14 – 12/31/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-030 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Control, Accountability, and Safeguarding of Vaccine

Effective control and accountability must be maintained for all vaccine under the VFC program. Vaccine must be adequately safeguarded and used solely for authorized purposes (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).

Record of Immunization

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25) which includes:

a. Date of administration of the vaccine;

b. Vaccine manufacturer and lot number of the vaccine; and

c. Name and address and, if appropriate, the title of the health care provider administering the vaccine.

Condition

The Department of Health's (the Department) Vaccine Preventable Disease Program (VPDP) utilizes Vaccines for Children (VFC) providers to administer vaccinations to children. As the grantee, the VPDP is responsible for conducting site visits of providers to ensure compliance with the control, accountability and safeguarding of vaccines and the record of immunization. Per their policy submitted to the Center for Disease Control and Prevention, the VPDP targets reviews of 50% of all sites during each State fiscal year.

Based on the listings reviewed, a total of 1,169 VFC providers were active during State fiscal year 2014, while only 334, or 29%, were reviewed.

A similar finding was included in the 2013 prior year single audit report as item 2013-027.

Cause

The VPDP had a shortfall of resources to perform the site visits of VFC providers.

Effect

The Department did not properly review all the VFC providers necessary to be in adherence to their own policy.

Recommendation

We recommend that the Department strengthen its procedures to ensure compliance with its policy to perform site visits.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

X07HA00017-23 (4/1/13 – 3/31/14), X07HA00017-24 (4/1/14 – 3/31/15)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-031 Suspension and Debarment

Finding Type: Noncompliance, Significant Deficiency

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

The Department of Health (the Department) enters into contracts with various subrecipients in order to administer the HIV Care Formula Grants program (HIV program) in the State of New Jersey (the State).

During our testwork, the following was noted:

- For one of the eight contracts selected for testwork, the contract did not contain any suspension and debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transactions with them.

Through subsequent review of the vendor's status in EPLS, it was determined that the subrecipient was not suspended or debarred.

A similar finding was included in the 2013 prior year single audit report as item 2013-026.

Cause

The award documentation within the subrecipient's contract did not contain the appropriate certification regarding suspension and debarment.

(Continued)

Effect

The Department may be entering into agreements with subrecipients that are suspended or debarred.

Recommendation

We recommend that the Department ensure that each subrecipient contract contains the appropriate certification regarding suspension and debarment.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)

Grant Award Numbers and Years:

X02MC23119-01 (9/30/11 – 9/29/14), X02MC26333-01 (9/1/13 – 9/30/15), D89MC23540-02 (3/31/13 – 9/30/2015)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-032 Level of Effort

Finding Type: Significant Deficiency

Criteria

Level of Effort – Supplement Not Supplant

Funds provided to an eligible entity receiving a grant shall supplement, and not supplant, funds from other sources for early childhood home visitation programs or initiatives. The grantee must agree to maintain non-Federal funding (State General Funds) for grant activities at a level which is not less than expenditures for such activities as of the entity's most recently completed fiscal year (home visiting is defined as an evidence-based program, implemented in response to findings from a needs assessment, that includes home visiting as a primary service delivery strategy, excluding programs with infrequent or supplemental home visiting), and is offered on a voluntary basis to pregnant women or children birth to age 5 targeting the participant outcomes in the legislation which include improved maternal and child health, prevention of child injuries, child abuse, or maltreatment, and reduction of emergency department visits, improvement in school readiness and achievement, reduction in crime or domestic violence, improvements in family economic self-sufficiency, and improvements in the coordination and referrals for other community resources and supports) (Section 511(f) of the Social Security Act, as added by Section 2951 of Pub. L. No. 111148; FOAs Section III.3).

Condition

The Department of Health (the Department) is the primary agency responsible for the administration of the Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program. The State of New Jersey (the State) has an obligation to supplement the Federal funds with funds from other sources (State General Funds or in-kind support) for grant activities at a level which is not less than expenditures for such activities as of the entity's most recently completed fiscal year (measured and reported on a Federal fiscal year basis). During the application process, the Department certifies this level of effort requirement.

The Department improperly reported/certified the non-Federal expenditures to meet the level of effort requirement in the grant applications submitted for the Federal fiscal years ended September 30, 2013 and 2014. The certified amount included non-Federal, Federal and in-kind expenditures of $11,047,111 and $12,000,000, respectively. The non-Federal share of the expenditures for both Federal fiscal year periods was $4,066,147 which meets the level of effort requirement.

Cause

The Department included Federal expenditures from other funding sources during their calculation of the level of effort expenditures.

Effect

The Department improperly certified the amount of non-Federal expenditures spent.

Recommendation

We recommend that the Department ensure only non-Federal expenditures are included in the level of effort certification.

Related Noncompliance

Not applicable as this is an internal control only finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Public Health Emergency Preparedness (93.069)

National Bioterrorism Hospital Preparedness Program (93.889)

Grant Award Number and Year:

5U90TP00536 (7/1/13 – 6/30/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-033 Reporting

Finding Type: Significant Deficiency

Criteria

Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental subrecipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), New Jersey Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFS). The Department of Health (the Department) is responsible for communicating Federal identification information to OMB to ensure Federal program expenditures are accurately recorded and tracked within NJCFS and expenditure transactions are entered into NJCFS by Catalog of Federal Domestic Assistance (CFDA) number as recorded on the grant agreement.

According to the grant agreement, though the Public Health Emergency Preparedness Program and the National Bioterrorism Hospital Preparedness Program are aligned, the two programs remain distinct and separate programs and are funded through two different appropriations. Furthermore, all audits should list the two programs under their respective CFDA numbers rather than the aligned CFDA number communicated in the notice of award. The Department did not properly communicate the separate and distinct CFDA numbers to OMB, rather communicated the aligned CFDA number, therefore expenditures were recorded incorrectly on the SEFA.

Cause

The Department did not properly communicate CFDA numbers related to the two programs to OMB.

Effect

The expenditures were not reported in NJCFS and on the SEFA under the appropriate CFDA numbers. The SEFA was subsequently adjusted prior to submission of the State Single Audit report.

Recommendation

We recommend that the Department implement procedures to ensure that the appropriate Federal identification information is communicated to OMB to ensure expenditures are coded to the proper CFDA number and recorded accurately in NJCFS.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Immunization Cooperative Agreements (93.268)

Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)

TANF Cluster (93.558)

National Bioterrorism Hospital Preparedness Program (93.889)

HIV Care Formula Grants (93.917)

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Grant Award Numbers and Years:

Various

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Finding: 2014-034 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

- *Subrecipient Audits* – (1) Ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at http://www.whitehouse.gov/omb/circulars/a133/a133.html) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Monitoring System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency's responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;

(Continued)

- Update the GSA system online.

The Department of Health (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients that receive various Federal awards from the State of New Jersey.

During the State fiscal year 2014, sixty-four subrecipients were required to submit an OMB Circular A-133 audit report to the Department. We selected a sample of six of the Department's subrecipient audit reports to ensure that the desk reviews were performed timely and management decisions, on audit findings noted during the review, were completed and accurately recorded in the GSA system. For four of the six OMB Circular A-133 reports and desk reviews selected, the Department did not conduct the desk review within the six month period.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-029 and 12-31, respectively.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure timely receipt and accurate review of the audit reports.

Effect

Information regarding monitoring of subrecipients may not be updated timely in the GSA online system to allow the Department or other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients.

Recommendation

We recommend that the Department strengthen procedures to ensure that subrecipient OMB Circular A-133 reports are reviewed in a timely manner.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

Various

State Agency: Department of Transportation

Federal Agency: U.S. Department of Transportation

Finding: 2014-035 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Condition

The Department has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. Based on our selection of forty of these subawards for testwork, the following was noted:

- For two of the forty subwards, the Department incorrectly reported the award amount.
- For twenty-one of the forty subawards, the Department did not submit the FFATA report.

Cause

The Department does not have procedures in place to ensure they submit FFATA reports timely and accurately.

Effect

The Department did not submit FFATA reports timely and accurately.

Recommendation

We recommend that the Department implement procedures to ensure timely and accurate FFATA reporting.

Related Noncompliance

Based on the above, the Department was not in compliance with above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Aging Cluster (93.044, 93.045, 93.053)

Social Services Block Grant (93.667)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

Various

State Agency: Department of Treasury

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-036 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

- *Subrecipient Audits* – (1) Ensuring that subrecipients expending $500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at http://www.whitehouse.gov/omb/circulars/a133/a133.html) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Monitoring System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency's responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;
- Update the GSA system online.

The Department of Treasury (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients that receive various Federal awards from the State of New Jersey.

(Continued)

During the State fiscal year 2014, thirty-one subrecipients were required to submit an OMB Circular A-133 audit report to the Department. We selected a sample of three of the Department's subrecipient audit reports to ensure that the desk reviews were performed timely and management decisions, on audit findings noted during the review, were completed and accurately recorded in the GSA system. For one of the three OMB Circular A-133 reports and desk reviews selected, the Department did not provide documentation showing communication with the subrecipient regarding receipt of a late report.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure timely receipt and accurate review of the audit reports.

Effect

The Department did not follow up with the subrecipient to ensure receipt of the OMB Circular A-133 report, therefore may not be aware of findings related to that subrecipient's compliance with requirements.

Recommendation

We recommend that the Department strengthen procedures to ensure proper communication with the subrecipients when an OMB Circular A-133 report is not received in a timely manner.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

(Continued)

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Grant Award Numbers and Years:

Foster Care: 1302NJ1401 (10/1/11-9/30/13), 1402NJ1401 (10/1/12-9/30/14)

Adoption Assistance: 1302NJ1407 (10/1/11-9/30/13), 1402NJ1407 (10/1/12-6/30/14)

State Agency: Office of Information Technology
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-037 Other Requirements – Information Technology General Controls

Finding Type: Significant Deficiency

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Enterprise Business Services Unit (EBSU) of the Department of Human Services (DHS) oversees the administration of servers, networks, and databases that make up the technical infrastructure for the New Jersey Statewide Protective Investigation, Reporting and Information Tool (NJSPIRIT) application. The NJSPIRIT application management is provided by Department of Children and Families (DCF) staff that includes loaned staff from State of New Jersey's Office of Information Technology (OIT). EBSU and DCF staff develop and maintain a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with NJSPIRIT.

We noted the following deficiences in the design of IT general controls over NJSPIRIT.

The password settings on the Oracle database of NJSPIRIT application does not comply with the password policy and is configured as follows: Password verify function is set to 'Default' (no restrictions since this is vendor provided default setting) and number of failed login attempts allowed is set to 5 (whereas password policy stipulates 3).

The password complexity setting on the AIX Operating System of NJSPIRIT application is disabled and hence not compliant with the password policy (which requires a combination of Lower or Uppercase Alphabets, Digits, or Special Characters).

Cause

Vendor provided default settings were being utilized by the Department.

Effect

Weak password settings on Database and Operating System may result in unauthorized access to user accounts and compromise of data through hacking attempts.

Recommendation

We recommend that complex passwords on the Database and Operating System of NJSPIRIT application be configured such that they are compliant with the password policy.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

(Continued)

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Grant Award Numbers and Years:

14B1NJSAPT (10/1/13-9/30/14), 13B1NJSAPT (10/1/12-9/30/14)

State Agency: Department of Children and Families
Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-038 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/ (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

 (Continued)

Condition

The Department of Human Services (DHS) entered into a memorandum of agreement with the Department of Children and Families (DCF) to perform certain aspects of the Block Grants for Prevention and Treatment of Substance Abuse (PTSA) program within the State of New Jersey (the State).

During our testwork over the PTSA program, the following was noted:

- For five out of twenty-five subrecipients selected for testwork, DCF did not identify to the subrecipient at the time of the award all required Federal award information (i.e., CFDA title and number; award name and number). Total payments to the five subrecipients were $5,254,348.
- For five out of twenty-five subrecipients selected for testwork, DCF did not provide adequate supporting documents over monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means. Total payments to the five subrecipients were $5,254,348.
- For two out of twenty-five subrecipients selected for testwork, there was no suspension and debarment verification included in the contract files to support that DCF verified that the subrecipient was not suspended or debarred. Total payments to the two subrecipients was $2,013,407.

A similar finding was included in the 2013 prior year single audit report as item 2013-012.

Cause

The award documentation included in the subrecipient contracts does not contain the required information necessary for the State to properly ensure that these subrecipients are in compliance with all Federal requirements for funding provided. DCF does not have proper policies or procedures in place to check a CWA's suspension or debarment status prior to entering into a subaward agreement.

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for. Also, Federal funds could be granted to subrecipients that have been suspended or debarred.

Recommendation

We recommend that DCF include all required information during the awarding process to subrecipients to ensure they are made aware of all necessary Federal award information and compliance requirements related to the programs they administer on behalf of the State.

We recommend that DCF strengthen their policies and procedures to ensure they determine if a CWA is suspended or debarred prior to entering into a subaward agreement.

Related Noncompliance

Based on the above, DCF was not in compliance with the above requirements.

(Continued)

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Social Services Block Grant (93.667)

Grant Award Numbers and Years:

2012G992342 (10/1/11 – 9/30/13), 2013G992342 (10/1/12 – 9/30/14), 2014G992342 (10/01/2013-9/30/2015)

State Agency: Department of Human Services
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-039 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2014.

(Continued)

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the required subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Social Services Block Grant (93.667)

Grant Award Numbers and Years:

2012G992342 (10/1/11 – 9/30/13), 2013G992342 (10/1/12 – 9/30/14), 2014G992342 (10/01/2013-9/30/2015)

State Agency: Department of Human Services
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-040 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.

- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

- Amount of awards – Larger dollar awards are of greater risk.

- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

(Continued)

- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services (DHS) is the primary recipient of the Social Services Block Grant (SSBG) at the State of New Jersey (the State). County Welfare Agencies (CWAs) are budgeted SSBG funds in order to administer the SSBG program and DHS is responsible for the fiscal monitoring of the funds. The Department of Children and Families (DCF) is responsible for the programmatic monitoring of the CWAs.

During our testwork, the following was noted:

- For all eight CWAs selected, DCF did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to these subrecipients during the State fiscal year 2014 were $4,471,524.

A similar finding was included in the 2013 single audit report as item 2013-015.

Cause

The Department does not have policies or procedures in place to communicate the required Federal award information and applicable compliance requirements to the CWAs or to properly monitor the activities.

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for. Further, the Department is not properly monitoring its subrecipients for all direct and material compliance requirements.

Recommendation

We recommend that the Departments implement policies and procedures to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award. Further, we recommend that the Departments strengthen their subrecipient monitoring procedures to ensure random moment studies are performed over all CWAs.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

Hurricane Sandy Relief Cluster (93.095)

Grant Award Number and Year:

1301NJSOS2 (10/01/2012 – 9/30/2015)

State Agency: Department of Children and Families
Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-041 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date unless they included only American Recovery and Reinvestment Act (ARRA) funds. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services and Department of Children and Families (the Departments) have an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Departments did not address this requirement in State fiscal year 2014.

Cause

The Departments do not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Departments did not report the required subaward data under FFATA.

Recommendation

We recommend that the Departments implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

TANF Cluster (93.558)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14)

State Agency: Department of Human Services
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-042 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All nonprocurement transactions entered into by a recipient (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at https://www.sam.gov/portal/public/SAM/ (note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Subrecipient Monitoring

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

- During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Family Development is the primary recipient of the TANF Cluster (TANF). Through the State Appropriations Act, funding is budgeted to the Department of Children and Families. The Department of Children and Families (the Department) enters into contracts with various subrecipients in order to administer TANF in the State of New Jersey (the State). During each contract period, it is the Department's policy to perform an on-site monitoring visit over any agency that received funding.

During our testwork over TANF, the following were noted:

- For twenty-six out of the twenty-seven contracts selected for testwork, the contract did not contain a suspension or debarment certification, nor did the Department verify on the Excluded Parties List System (EPLS) and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. Total funds passed through to these subrecipients during State fiscal year 2014 were $4,458,948.

  Through subsequent review of the vendors' status in EPLS it was determined that none of the twenty-six were suspended or debarred.

- For fourteen out of the twenty-seven contracts selected for testwork, the Department did not ensure the subrecipient provided a valid Dun and Bradstreet Data Universal Numbering System (DUNS) number before issuing the subaward. Total funds passed through to these subrecipients during State fiscal year 2014 were $3,065,187.

- For one of the twenty-seven contracts selected for testwork, the Department did not perform a monitoring visit over the subrecipient during the contract period. Total funds passed through to the subrecipient during State fiscal year 2014 were $23,985.

Total funds passed through to subrecipients during State fiscal year 2014 for the TANF Cluster were $93,579,239.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-011 and 12-42, respectively.

Cause

The Department's policies and procedures were not adequate to ensure that their subrecipients provide a valid DUNS number before issuing the subaward. Also, the Department does not have policies or procedures in place to check a subrecipient's suspension or debarment status prior to entering into a subaward agreement or to ensure that it has performed monitoring visits over all of its subrecipients.

Effect

Failing to determine whether an applicant for a subaward has provided a DUNS number as part of its subaward application or, if not, before the subaward could result in Federal funds being passed through to ineligible subrecipients. The Department may be entering into subaward agreements with entities that are suspended or debarred. Without monitoring visits, subrecipients may not be in compliance with program requirements.

Recommendation

We recommend that the Departments strengthen their policies and procedures to ensure the subrecipients' DUNS number is obtained prior to entering into the award. We also recommend that the Departments implement procedures to ensure the subrecipients are not suspended or debarred and perform monitoring visits over all of its subrecipients.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

TANF Cluster (93.558)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13-9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-043 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.

- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

- Amount of awards – Larger dollar awards are of greater risk.

- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Family Development (the Department) is the agency responsible for administration of the TANF Cluster (TANF) in the State of New Jersey (the State). The Department has arranged with the County Welfare Agencies (CWAs) to perform the eligibility determinations and redeterminations for TANF. The CWAs collect and maintain supporting documentation for each eligibility determination and redetermination in a case file that is subject to review by the Department's Quality Control Unit as part of the Department's subrecipient monitoring procedures. The State pays the TANF benefits to eligible recipients and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by the CWAs.

Furthermore, for a sample of sixty-five TANF beneficiaries selected for testwork at the CWAs, the following were noted:

- For two beneficiaries selected for testwork, there was no case file provided for review. Total TANF benefits paid to these individuals during State fiscal year 2014 were $13,944.
- For six beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility in the case file. Total TANF benefits paid to these individuals during State fiscal year 2014 were $35,132. Additionally, the following were noted for these beneficiaries:
    - Three beneficiary files did not contain evidence of the prior year redetermination of eligibility.
- For seven beneficiaries selected for testwork, the current year redetermination was not performed within the twelve month period after the prior year redetermination or there was no evidence of a prior year redetermination within the case file. Total TANF benefits paid to these individuals during State fiscal year 2014 were $23,900. Additionally, the following were noted for these beneficiaries:
    - One beneficiary file did not contain evidence of a current year signed application in the file with certification that the adult has not voluntarily quit his/her job or that the application was made for all assistance for which members of the unit may be eligible, proof of compliance with Child Support Enforcement in establishing paternity or proof of cooperation with work requirements.
    - One beneficiary file did not contain proof of cooperation with work requirements or proof of NJ residency.
    - One beneficiary file did not contain proof of US citizenship or qualified alien, proof of Social Security number or proof of NJ residency.
- For three beneficiaries selected for testwork, the file did not contain proof of NJ residency to support the eligibility determination. Total TANF benefits paid to this individual during State fiscal year 2014 were $66,885. Additionally, the following were noted for these beneficiaries:
    - One beneficiary file did not contain evidence of a current year signed application in the file with certification that the adult has not voluntarily quit his/her job or that the application was made for all assistance for which members of the unit may be eligible.

- For two beneficiaries selected for testwork, the file did not contain proof of cooperation with work requirements to support the eligibility determination. Total TANF benefits paid to this individual during State fiscal year 2014 were $5,559. Additionally, the following were noted for these beneficiaries:
  - One beneficiary file did not contain evidence of a current year signed application in the file with certification that the adult has not voluntarily quit his/her job or that the application was made for all assistance for which members of the unit may be eligible.
- For two beneficiaries selected for testwork, the file did not contain compliance with Child Support Enforcement in establishing paternity to support the eligibility determination. Total TANF benefits paid to this individual during State fiscal year 2014 were $23,441. Additionally, the following were noted for these beneficiaries:
  - One beneficiary file did not contain a signed agreement to repay benefits.
- For one beneficiary selected for testwork, the file did not contain proof of US citizenship or qualified alien and proof of Social Security number to support the eligibility determination. Total TANF benefits paid to this individual during State fiscal year 2014 were $945.

Total program expenditures for the TANF Cluster included on the Schedule of Expenditures of Federal Awards were $ 316,700,825.

A similar finding was included in the 2013, 2012, and 2011 prior year single audit reports as items 2013-002, 12-43, and 11-6, respectively.

Cause

Support for eligibility determinations and redeterminations were not in the files at the CWAs.

Effect

Payments under the TANF program may be processed on behalf of ineligible clients for services received in a given State fiscal year.

Recommendation

We recommend that the Department strengthen its subrecipient monitoring procedures over the CWAs to ensure eligibility determinations and redeterminations are properly supported, performed and reviewed on a timely basis.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management's corrective action plan.

SNAP Cluster (10.551, 10.561)

TANF Cluster (93.558)

Grant Award Numbers and Years:

14141NJ404S2514 (10/1/2013-9/30/2014), 14141NJ451Q3903 (10/1/2013-9/30/2014), 1402NJTANF (10/1/13-9/30/14)

State Agency: Office of Information Technology
Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Finding: 2014-044 Other Requirements – Information Technology General Controls

Finding Type: Significant Deficiency

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Office of Information Technology (OIT) oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure, which includes the Family Assistance Management Information System (FAMIS). The State of New Jersey, Department of Human Services, Division of Family Development (DFD) oversees the use of FAMIS at the County Welfare Agencies (CWAs), which are considered subrecipients of the State of New Jersey for the SNAP and TANF Clusters. As part of OIT's oversight for FAMIS, OIT develops and maintains a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with FAMIS. DFD is responsible to ensure application controls are properly monitored to ensure proper design, implementation, and operating effectiveness.

We noted the following deficiencies in the design of IT general controls over FAMIS:

1. *Access at the Data Center at HUB and OIT Availability Recovery Site (OARS)*

   - During State fiscal year 2014, there were 181 users ID's that were assigned to individuals with access to HUB Data Center Server Room (houses FAMIS Production Systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks. In addition, all individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms. Additionally, there is an emergency exit door at the far corner which can be opened without an alarm. This door can be unlocked only from inside but no surveillance system is installed in this area.

- During State fiscal year 2014, there were 172 users ID's that were assigned to individuals with access to the OARS Data Center Server Room (houses FAMIS related backup systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks.

2. *Accountability for Access*

- Due to a BULL mainframe system limitation, a root user account is shared by system administrators. This limits the possibility of tracing activity to an individual.

- Due to HAPS scheduler limitations, a generic user account is shared by job schedule administrators to schedule batch jobs. This limits the possibility of tracing activity to an individual.

3. *Disaster Recovery*

- The existing Disaster Recovery Plan over FAMIS does not reflect State fiscal year 2014 changes and has not been tested during State fiscal year 2014.

A similar finding was included in the 2013, 2012, 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 2013-003, 12-51, 11-15, 10-12, 09-10, 08-44, and 07-8, respectively.

Cause

1. *Access to the Data Center at HUB and OARS*

- Access to the Data Center is controlled by a system that provisions access based on groups for which users are assigned. Individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms therefore, does not allow control over each individual's need for access. An alarm system or surveillance camera is not installed on one of the emergency exit doors.

2. *Accountability for Access*

- System limits the creation of one administrator account which is shared by multiple individuals.

3. *Disaster Recovery*

- The existing Disaster Recovery Plan was not updated for the current State fiscal year and testing is not performed.

Effect

1. *Access to the Data Center at HUB and OARS*

- There is a risk of inappropriate access to the servers that house critical data for the State to administer its Federal programs.

2. *Accountability for Access*

   - Activities performed by using the generic user account cannot be traced to an individual, leading to a lack of accountability on accounts that have powerful access.

3. *Disaster Recovery*

   - The absence of a periodic recovery tests may prevent recovery of the FAMIS application and relevant data in case of a disaster.

Recommendation

1. *Access to the Data Center at HUB and OARS*

   - We recommend that OIT perform the following with regard to access to the Data Center:

     – Provide access to only those individuals that require access based on their job responsibility.

     – Perform reviews of users that can access the Data Center and Server Room on a periodic basis for appropriateness or unauthorized access.

     – Install alarm or surveillance camera system on the emergency exit door.

2. *Accountability for Access*

   - We recommend that OIT establish formalized procedures to review and monitor system access rights for shared accounts and documentation of review be maintained.

3. *Disaster Recovery*

   - We recommend that the Disaster Recovery Plan be updated to the current year and testing be performed periodically to assess the process, tools, and people involved with this process.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Grant Award Numbers and Years:

14B1NJSAPT (10/1/13-9/30/14), 13B1NJSAPT (10/1/12-9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-045 Earmarking

Finding Type: Significant Deficiency

Criteria

The State shall expend not less than 20 percent of SABG for primary prevention programs for individuals who do not require treatment of SA. The programs should educate and counsel the individuals on such abuse and provide for activities to reduce the risk of such abuse by the individuals (42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125).

Designated States shall expend not less than 2 percent and not more than 5 percent of the award amount to carry out one or more projects to make available to individuals early intervention services for HIV disease at the sites where the individuals are undergoing SA treatment. If the State carries out two or more projects, the State will carry out one such project in a rural area of the State unless the Secretary waives the requirement (42 USC 300x-24; 45 CFR section 96.128(a)(1) and (d)). Note: The applicable percentage is based on the percent change in a current year allotment to the base year allotment under the Alcohol, Drug Abuse and Mental Health Services (ADMS) Block Grant. Any "designated State" whose percentage change in allotment is greater than 5 percent is required to obligate and expend 5 percent of the SABG allotment for the applicable Federal fiscal year to establish 1 or more projects designed to provide early intervention services for HIV at the site(s) at which individuals are receiving SA treatment.

The State may not expend more than 5 percent of the grant to pay the costs of administering the grant (42 USC 300x-31; 45 CFR section 96.135 (b)(1)).

The State may not expend grant funds for providing treatment services in penal or correctional institutions in an amount more than that expended for such programs by the State for fiscal year 1991 (42 USC 300x-31; 45 CFR section 96.135(b)(2)).

Condition

The Department of Human Services (the Department) does not have proper segregation of duties implemented over the earmarking requirements listed above. The grants analyst prepares the Block Grants for the Treatment and Prevention of Substance Abuse Fund Usage Statement, which details the program's Federal expenditures, as recorded in the New Jersey Comprehensive Financial System. However, the Department's personnel whom prepared the annual Maintenance of Effort report for the Block Grants for the Prevention and Treatment of Substance Abuse was also the person who reviewed the report for accuracy, reasonableness and completeness, before submission to the Federal government for the State Fiscal Year 2014.

Cause

The Department did not maintain proper segregation of duties as the Department's personnel whom prepared the annual Maintenance of Effort report for the Block Grants for the Prevention and Treatment of Substance Abuse was also the person who reviewed the report for accuracy, reasonableness and completeness, before submission to the Federal government for the State Fiscal Year 2014.

Effect

The Department may not detect areas of noncompliance due to improper segregation of duties.

Recommendation

We recommend that the Department ensure proper segregation of duties are in place over the earmarking requirements listed above.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Grant Award Numbers and Years:

14B1NJSAPT (10/1/13-9/30/14), 13B1NJSAPT (10/1/12-9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-046 Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Period of Availability

Finding Type: Noncompliance, Significant Deficiency

Criteria

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

The State shall not use grant funds to provide inpatient hospital services except when it is determined by a physician that (a) the primary diagnosis of the individual is SA and the physician certifies this fact; (b) the individual cannot be safely treated in a community based non-hospital, residential treatment program; (c) the service can reasonably be expected to improve an individual's condition or level of functioning; and (d) the hospital based SA program follows national standards of SA professional practice. Additionally, the daily rate of payment provided to the hospital for providing the services to the individual cannot exceed the comparable daily rate provided for community based non-hospital residential programs of treatment for SA and the grant may be expended for such services only to the extent that it is medically necessary (i.e., only for those days that the patient cannot be safely treated in a residential community based program) (42 USC 300x-31(a) and (b); 45 CFR sections 96.135(a)(1) and (c))

Grant funds may be used for loans from a revolving loan fund for provision of housing in which individuals recovering from alcohol and drug abuse may reside in groups. Individual loans may not exceed $4000 (45 CFR section 96.129).

Grant funds shall not be used to make cash payments to intended recipients of health services (42 USC 300x-31(a); 45 CFR section 96.135(a)(2)).

Grant funds shall not be used to purchase or improve land, purchase, construct, or permanently improve (other than minor remodeling) any building or any other facility, or purchase major medical equipment. The Secretary may provide a waiver of the restriction for the construction of a new facility or rehabilitation of an existing facility, but not for land acquisition (42 USC 300x-31(a); 45 CFR sections 96.135(a)(3) and (d)).

The State shall not use grant funds to satisfy any requirement for the expenditure of non-Federal funds as a condition for the receipt of Federal funding (42 USC 300x-31(a); 45 CFR section 96.135(a)(4)).

Grant funds may not be used to provide financial assistance (i.e., a subgrant) to any entity other than a public or non-profit entity. A State is not precluded from entering into a procurement contract for services, since payments under such a contract are not financial assistance to the contractor (42 USC 300x-31(a); 45 CFR section 96.135 (a)(5)).

The State shall not expend grant funds to provide individuals with hypodermic needles or syringes so that such individuals may use illegal drugs (42 USC 300ee5; 45 CFR section 96.135 (a)(6) and Pub. L. No. 106-113, Section 505).

Grant funds may not be used to enforce State laws regarding sale of tobacco products to individuals under age of 18, except that grant funds may be expended from the primary prevention set-aside of SABG under 45 CFR section 96.124(b)(1) for carrying out the administrative aspects of the requirements such as the development of the sample design and the conducting of the inspections (45 CFR section 96.130 (j)).

No funds provided directly from SAMHSA or the relevant State or local government to organizations participating in applicable programs may be expended for inherently religious activities, such as worship, religious instruction, or proselytization (42 USC 300x-65 and 42 USC 290kk; 42 CFR section 54.4).

Cash Management

When awards provide for advance payments, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement and establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Period of Availability

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period

Condition

For five out of the forty subrecipient payment transactions selected for testwork, the Department was unable to provide the proper supporting documentation to support our testwork over activities allowed or unallowed, cash management and period of availability. The total payments to those five subrecipients were $178,402.

Cause

The Department did not maintain the support documentation for subrecipient payment transactions.

Effect

Unallowable payments under the Block Grants for Prevention and Treatment of Substance Abuse program may be processed to subrecipients.

Recommendation

We recommend that the Department ensure that adequate documentation is maintained, readily available and supports payments to subrecipients.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above

View of Responsible Official

See management's corrective action plan.

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Grant Award Numbers and Years:

H126A130044-13C (10/1/12 – 9/30/13), H126A140044-14C (10/1/13 – 9/30/14),

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 2014-047 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

Activities Allowed or Unallowed

Participation in a One-Stop Service Delivery System

Any service or administrative cost charged to the VR programs through participation in the one-stop service delivery system must be: (a) allowable under the program's authorizing statute and regulations; (b) allocable to the program under the State VR agency's cost allocation plan; and (c) consistent with the MOU between the State VR agency and the Local Workforce Investment Board. The MOU is the primary vehicle by which the State VR agency sets forth how it will participate in the one-stop service delivery system and how it will share in the cost of operating the system (29 USC 2841(b)(1)(B)(iv); 34 CFR section 361.4; 20 CFR part 662; Notice: *Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Program's Fair Share of Allocable One-Stop Costs*, issued May 31, 2001 (66 FR 29637)).

The MOU identifies the resources the State VR agency will provide for compliance with 20 CFR section 662.270, which requires the VR programs to support a fair share of the one-stop system's common administrative costs. The amount provided must be proportionate to the use of the system by individuals attributable to this program. The MOU may provide for cash payments of billings from the one-stop operator, or for providing goods and services that benefit the system's operation. Examples of goods and services that the VR agency may provide for this purpose include: (a) making VR staff available to provide training or technical assistance to other partners in such areas as disability, accessibility, adaptive equipment, and rehabilitation engineering; (b) VR staff participation in cooperative efforts with employers to promote job placement (such as job analysis and employer visits); and (c) applying VR staff and other resources to the VR program's participation in information and financial management systems that link all partners to one another.

Allowable Costs/Cost Principles

Central Service CAPs

(1) The central service CAP must include all central service costs that will be claimed (either as an allocated or a billed cost) under Federal awards. Costs of central services omitted from the CAP will not be reimbursed.

(2) The documentation requirements for all central service CAPs are contained in A-87, Attachment C, paragraph E. All plans and related documentation used as a basis for claiming costs under Federal awards

must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule.

Condition

Cost allocation plans (CAPs) represent the cost finding and reporting methodology employed to determine the reasonable, allowable, and allocable administrative costs incurred by the Department of Human Services (the Department) and its Divisions during the administration of its various program activities. Administrative costs include all expenditures for salaries, wages, fringe benefits, rent, equipment and supplies. Quarterly, a cost report is prepared based on the approved CAP. The cost report reflects the administrative costs chargeable to the different Divisions and Programs of the Department and the Divisions for use in preparing claims for Federal reimbursement.

The Department of Human Services, Commission for the Blind and Visually Impaired (CBVI) is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Grants to States program. During our testwork over the CAPs, CBVI did not prepare or submit to the Department the quarterly CAPs for any of the four quarters during State fiscal year 2014.

Total program expenditures related to the Department were $13,727,034 for the State fiscal year 2014.

A similar finding was included in the 2013, 2012, 2011, 2010, 2009, and 2008 prior year single audit reports as items 2013-014, 12-49, 11-11, 10-10, 09-6, and 08-7, respectively.

Cause

Cost allocation plans were not prepared for any quarters during State fiscal Year 2014 due to understaffing and a lack of adequately trained staff to assist in the preparation of the reports.

Effect

Costs associated or not associated with the program may not be properly allocated.

Recommendation

We recommend that the Department prepare the CAPs in a timely manner to timely submit expenditures incurred by the program.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management’s corrective action plan.

(Continued)

SNAP Cluster (10.551, 10.561)

Grant Award Numbers and Years:

14141NJ404S2514 (10/1/2013-9/30/2014), 14141NJ451Q3903 (10/1/2013-9/30/2014)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

Finding: 2014-048 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

Condition

The Department of Human Services (the Department) enters into subaward agreements with County Welfare Agencies (CWAs) in order to administer the SNAP Cluster in the State of New Jersey (the State). State agencies shall conduct management evaluation reviews once every year for large project areas, once every two years for medium project areas, and once every three years for small project areas, unless an alternative schedule is approved by FNS. Projects are classified as large, medium, or small based on State determinations. The State must also ensure corrective action in response to the detection of program deficiencies.

During the testwork over SNAP, the following was noted:

- Of the twenty-one subrecipients, nineteen were required to have reviews performed during the year. It was noted that three of the nineteen did not have a review.

- We selected three of the sixteen that had reviews and noted that for one out of the three, the Department's results of the management evaluation review was not properly communicated to the subrecipient.

Cause

The management evaluation review did not occur because various counties increased in size, as such, the amount of required cases to test during the reviews increased however there was a lack of staff to complete the reviews due to retirements and leaves of absence. The Department's results of the management evaluation review had not been properly communicated to the subrecipient due to lack of staff.

Effect

Failing to conduct monitoring visits within the allotted timeframe may allow subrecipients to circumvent compliance procedures. This in turn would result in the State allocating funds to subrecipients not in compliance and not issuing sanctions at appropriate times.

(Continued)

Recommendation

We recommend that the Department strengthen their policies and procedures to ensure they conduct a monitoring visit or obtain proper approval for an alternative schedule within the allotted timeframe.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

SNAP Cluster (10.551, 10.561)

Grant Award Numbers and Years:

14141NJ404S2514 (10/1/2013-9/30/2014), 14141NJ451Q3903 (10/1/2013-9/30/2014)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

Finding: 2014-049 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date unless they include only American Recovery and Reinvestment Act (ARRA) funds. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) is responsible for the administration of the SNAP Cluster in the State of New Jersey. The Department utilizes the County Welfare Agencies (CWAs) to provide administrative assistance in terms of eligibility determinations, documentation intake and client interactions on behalf of the State. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not timely report the subaward data as the reports were submitted later than the last day of the month following the month in which the subaward/subaward amendment obligation. In addition, the report submitted for grant award 14141NJ451Q3903 did not properly reflect the sub awarded amount.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-006 and 12-47, respectively.

Cause

The Department does not have adequate procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the subaward data under FFATA timely and accurately.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

SNAP Cluster (10.551, 10.561)

Grant Award Numbers and Years:

14141NJ404S2514 (10/1/2013-9/30/2014), 14141NJ451Q3903 (10/1/2013-9/30/2014)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

Finding: 2014-050 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Condition

The Department of Human Services (the Department) submits quarterly SF-425 reports for the SNAP program's summary of administrative costs. For the September 30, 2013 quarterly report submitted during the State fiscal year 2014, the total outlays for fair hearing were overstated by $10,000. The amount reported on the SF-425 was $696,983 and the supporting documentation provided by the Department reflected $686,983. This error was not detected and corrected during the supervisory review.

Cause

The Department had incorrectly typed in $696,983 on the September 30, 2013 quarterly SF-425 report.

Effect

The total outlays for fair hearing on the September 30, 2013 quarterly SF-425 report were reported incorrectly.

Recommendation

We recommend that the Department strengthen the preparation and review procedures to ensure that accurate data is reported on the quarterly SF-425 reports.

(Continued)

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13), 1205NJ5021 (10/1/11 – 9/30/13), 1305NJ5021 (10/1/12 – 9/30/14), 1205NJ5ADM (10/1/11 – 9/30/12), 1305NJ5ADM (10/1/12 – 9/30/13), 1405NJ5ADM (10/1/13 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-051 Special Test and Provisions

Finding Type: Qualified, Material Weakness

Criteria

Inpatient Hospital and Long-Term Care Facility Audits

The State Medicaid agency pays for inpatient hospital services and long-term care facility services through the use of rates that are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated providers. The State Medicaid agency must provide for the filing of uniform cost reports for each participating provider. These cost reports are used to establish payment rates. The State Medicaid agency must provide for the periodic audits of financial and statistical records of participating providers. The specific audit requirements will be established by the State Plan (42 CFR section 447.253).

Condition

The Department of Human Services (the Department) is responsible for the periodic audits of financial and statistical records of participating providers and establishing audit requirements under the State Plan. Under the State Plan attachment 4.19-D, the Department is required to draft an annual audit plan, including the nursing facilities projected to be audited in a twelve-month period. The Department was not able to provide a copy of their annual audit plan which would detail the requirements for nursing facility cost reports subject to either desk or field audits on a yearly basis.

In addition, the Department made a decision not to require desk audits to be performed over nursing facility cost reports during State fiscal year 2014. The Department moved to Managed Long Term Service and Support (MLTSS) as of July 1, 2014. Therefore, there was budget language included in the State fiscal year 2014 Appropriations Act related to the treatment of nursing facilities rates. The language stated that the "per diem rate for each nursing home shall not be less than the per diem rate last received by that facility for Fiscal Year 2013". The Department did not perform the procedures as required in the State Plan and did not submit an amendment during State fiscal year 2014 to revise this process.

Cause

Based on the budget language included in the State fiscal year 2014 Appropriations Act, the Department decided that no desk audits of cost reports would be required for the nursing facilities during State fiscal year 2014.

(Continued)

Effect

Although the per diem rates charged by the nursing facilities cannot be reduced from the prior year, there is still a potential for overpayments if the required desk audits of the cost reports are not performed. These desk audits are performed to ensure that the nursing facilities have included only those expense items specified as allowable costs and that the costs have been accurately determined and are reasonable.

Recommendation

We recommend that the Department develop a documented annual audit plan in accordance with the State Plan and ensure that desk audits of cost reports are properly performed in accordance with the State Plan or submit an amendment to revise the procedures. Additionally, we recommend that the State Plan Amendment be submitted and approved prior to making significant changes in practice.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management’s corrective action plan.

(Continued)

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13), 1405NJ5MAP (10/1/13 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-052 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.

- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

- Amount of awards – Larger dollar awards are of greater risk.

- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

(Continued)

- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Medical Assistance and Health Services (the Department), is the primary agency responsible for the administration of the Medicaid Cluster (Medicaid) for the State of New Jersey (the State). The Department utilizes the County Welfare Agencies (CWAs) to perform eligibility determinations and redeterminations for Medicaid. The CWAs collect and maintain supporting documentation for each eligibility determination and redetermination in a case file. The State pays the Medicaid benefits on behalf of eligible beneficiaries to providers and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by the CWAs. On May 1, 2014, the State of NJ received a waiver to delay eligibility renewals scheduled for January 1, 2014 through December 31, 2014 for 12 months until January 1, 2015 through December 31, 2015.

The Department's subrecipient monitoring procedures over eligibility determinations and redeterminations at the CWAs relies on reviews performed by the Bureau of Quality Control (BQC). The BQC performed 368 MEQC eligibility reviews for Medicaid benefits paid on behalf of eligible individuals to providers for the period of July 1, 2013 through June 30, 2014 (State fiscal year 2014). BQC also performed 1,043 reviews of 2008-2011 backlog year cases, 315 reviews of MEQC/PERM cases and 300 reviews of cases under the Federal Health Care Laws (FHCL) Pilot Reviews during State fiscal year 2014. The total cases reviewed by the BQC for these various categories were in accordance with the number of cases mandated for review by CMS for the audit period.

As of June 2014, according to the State's internal tracking system, the average redetermination percentage performed has reached 78% across all CWAs as compared to 76% in the prior year. There were 17% with no redeterminations done within the last 12 months and 5% with no evidence of a redetermination date.

Despite actions taken by the Department to address the prior year findings, we noted for a sample of ninety-five State fiscal year 2014 Medicaid beneficiaries selected for testwork at the CWAs, the following:

- For eleven beneficiaries selected for testwork, the CWA was unable to provide the file to support the eligibility determination made. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2014 were $366,467.

- For ten beneficiaries selected for testwork, there was no evidence of a current redetermination of eligibility within the case file. (Note: For MAGI cases, the current redetermination tested would cover between July 1, 2013 and September 30, 2013. For non-MAGI cases, the current redeterminations would cover the full year, taking into account those under the waiver.) Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2014 were $329,426. Additionally, the following were noted for these beneficiaries:

    - Eight beneficiary files did not contain proof of US citizenship or qualified alien or proof of Social Security numbers.

- For six beneficiaries selected for testwork, the file did not contain proof of current NJ residency to support the current redetermination. (See note above). Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2014 were $178,122. Additionally, the following were noted for these beneficiaries:

  - One beneficiary file did not contain proof of income, non-financial requirements, and applicable resource limits to support the current year redetermination.
  - One beneficiary file did not contain proof of US citizenship or qualified alien or proof of Social Security numbers.
  - One beneficiary file did not contain proof of income to support the current year redetermination.

- For three beneficiaries selected for testwork, the file did not contain verification of current income to support the current redetermination. (See note above). Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2014 were $38,435. Additionally, the following were noted for these beneficiaries:
  - Two beneficiary files did not contain evidence that the beneficiaries' non-financial requirements or resource limits were reviewed.

We consider these payments above to be questioned costs. Total program expenditures for Medicaid included on the Schedule of Expenditures of Federal Awards were $5,603,744,052 for State fiscal year 2014.

A similar finding was included in the 2013, 2012, 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 2013-001, 12-1, 11-2, 10-1, 09-1, 08-1, and 07-42, respectively.

Cause

The CWAs are not properly determining and redetermining eligibility for Medicaid recipients.

Effect

Payments under the Medicaid program may be processed on behalf of ineligible clients for services received in a given State fiscal year.

Recommendation

We recommend that the Department continue its efforts, as described above, to strengthen its subrecipient monitoring procedures over the CWAs to ensure eligibility determinations and redeterminations are properly supported, performed and reviewed on a timely basis.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management's corrective action plan.

Children's Health Insurance Program (93.767)

Grant Award Numbers and Years:

1405NJ5021 (10/1/13 – 9/30/15), 1305NJ5021 (10/1/12 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-053 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Human Services (the Department) enters into subaward agreements with County Welfare Agencies (CWAs) in order to administer the Children's Health Insurance Program (CHIP) in the State of New Jersey (the State).

For all eight subrecipients selected for testwork, the Department did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to these subrecipients during State fiscal year 2014 were $12,327,001.

Total funds passed through to subrecipients during State fiscal year 2014 for CHIP were $34,999,659.

A similar finding was included in the 2013 prior year single audit report as item 2013-009.

Cause

The Department does not have policies or procedures in place to communicate the required Federal award information and applicable compliance requirements to the CWAs.

Effect

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also potential for subrecipients to have incomplete SEFAs in their OMB Circular A-133 Single Audit reports and Federal funds may not be properly audited at the subrecipient level in accordance with the Single Audit Act and OMB Circular A-133.

Recommendation

We recommend that the Department implement policies and procedures to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management’s corrective action plan.

Children's Health Insurance Program (93.767)

Grant Award Numbers and Years:

1405NJ5021 (10/1/13 – 9/30/15), 1305NJ5021 (10/1/12 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-054 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.

- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

- Amount of awards – Larger dollar awards are of greater risk.

- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Medical Assistance and Health Services (the Department), is the primary agency responsible for the administration of the Children's Health Insurance Program (CHIP) for the State of New Jersey (the State). The Department utilizes the County Welfare Agencies (CWAs) to perform certain eligibility determinations and redeterminations for CHIP. The CWAs collect and maintain supporting documentation for each eligibility determination and redetermination in a case file. The State pays the CHIP benefits on behalf of eligible beneficiaries to providers and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by the CWAs.

The Department's subrecipient monitoring procedures over eligibility determinations and redeterminations at the CWAs relies on reviews performed by the Bureau of Quality Control (BQC). The BQC performed 287 eligibility reviews for CHIP Program benefits paid on behalf of eligible individuals to providers for the period of July 1, 2013 through June 30, 2014 (State fiscal year 2014). The total cases reviewed by the BQC were in accordance with the number of cases mandated for review by CMS for the audit period.

For a sample of twenty-five State fiscal year 2014 CHIP beneficiaries selected for testwork at the CWAs, the following were noted:

- For one beneficiary selected for testwork, the CWA was unable to provide the file to support the eligibility determination made.
- For seven beneficiaries selected for testwork, the files did not contain evidence of an application containing certification of no other insurance. Additionally, the following were noted for these beneficiaries:
    - One beneficiary file did not contain proof of NJ residency or proof of income.
    - One beneficiary file did not contain proof of NJ residency.
    - One beneficiary file did not contain proof of income.
- For two beneficiaries selected for testwork, the files did not contain proof of NJ residency.
- For one beneficiary selected for testwork, the file did not contain proof of US citizenship or qualified alien and proof of Social Security number.
- For one beneficiary selected for testwork, the file did not contain proof of income.
- For one beneficiary selected for testwork, the redetermination was not performed within the twelve month period after the prior year redetermination.
- For two beneficiaries selected for testwork, there was no evidence of a current redetermination within the case file.

Total benefits paid on behalf of these individuals during State fiscal year 2014 were $76,221. We consider these payment to be questioned costs. Total program expenditures for CHIP included on the Schedule of Expenditures of Federal Awards were $356,872,073 for State fiscal year 2014.

Cause

Payments under the CHIP program may be processed on behalf of ineligible clients for services received in a given State fiscal year.

Effect

Payments under the Children Health Insurance Program may be processed on behalf of ineligible clients for services received in a given State fiscal year.

Recommendation

We recommend that the Department strengthen its subrecipient monitoring procedures over the CWAs to ensure eligibility determinations and redeterminations are properly supported, performed and reviewed on a timely basis.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management’s corrective action plan.

(Continued)

Child Support Enforcement (93.563)

Grant Award Numbers and Years:

140NJ4005 (10/1/2013 - 9/30/2014), 1304NJ4005 (10/2/2012 - 9/30/2013)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-055 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

The Office of Child Support Services (OCSS), as the state IV-D agency, is directly responsible for ensuring that all IV-D operations are compliant with Title IV- and the encompassing regulations. The State plan requirements set forth in 45CFR 302.10 specify that the State IV-D agency will conduct "regular planned examinations and evaluation of operations in local offices by regularly assigned Sate Staff". In response to the recommendations set forth by the Self-Assessment Core Work-Group, and in accordance with the Federal Action Transmittal OCSE AT-98-12, dated March 31, 1998, New Jersey elected at the onset of self-assessment to create a self-contained Self-Assessment Unit. The Self-Assessment Unit performs case reviews throughout the self-assessment period, conduct on-site visits as necessary, and analyze findings for corrective or preventive actions. The department sends request that each Country Welfare Agency to submit a corrective action plan where that office fell below the Federal minimum compliance standard under the Case Closure, Establishment, Interstate, or Review and Adjustment Criterion by June 15, 2014.

Condition

The Department of Human Services (the Department) conducts an annual Self-Assessment Report to review the required program compliance criteria at each Country Welfare Agency (CWA). The Self-Assessment Report and required corrective action plan is forwarded to the respective CWA. If there are deficiencies, the Department then will follow-up with the CWA to determine whether a corrective action was submitted and implemented on the deficiencies noted during the self-assessment review.

For one of the eight CWAs included in our sample, the Department did not obtain the appropriate corrective action plan for the deficiencies noted in the annual self-assessment report that was performed in Federal fiscal year 2013 prepared by the Department. The total amount expended to the subrecipient for fiscal year 2014 was $3,541,504.

Cause

Due to a retirement of the personnel responsible for collection of the corrective action plan from the CWA, the Department overlooked the corrective action plan for the one CWA.

Effect

Failing to obtain the corrective action plan of CWAs may cause the subrecipients and their auditors to be unformed about the responsibilities and implementation of a corrective action plan. In addition, if there is no follow up on the submission of a corrective action plan a subrecipient may continue to be in noncompliance with Federal regulations, which may result in a misuse of funds.

Recommendation

We recommend that the Department implement policies and procedures to ensure corrective actions plans are submitted by the CWAs in a timely manner.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management's corrective action plan.

Child Support Enforcement (93.563)

Grant Award Numbers and Years:

140NJ4005 (10/1/2013 - 9/30/2014), 1304NJ4005 (10/2/2012 - 9/30/2013)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-056 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

The state is required to submit the OCSE 34A Child Support Enforcement Quarterly Report of Collections (OMB No. 0970-0181).

Condition

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the New Jersey Kids Deserve Support (NJKiDS) system. The Department of Human Services prepares quarterly reconciliations to compare the net undistributed collections for the quarter from the OCSE 34A report to the child support bank account. After the preparation of reconciliations there are remaining irreconcilable differences, which vary on a quarterly basis. The unreconciled difference ranges from $55k to $473K for the State Fiscal Year 2014. The Department of Human Services identified possible general reasons for the differences, which cannot be substantiated.

A similar finding was included in the 2013, 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003,, 2002, 2001, and 2000 prior year single audit reports as items 2013-013, 12-46, 11-9, 10-6, 09-7, 08-2, 07-5, 06-1, 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

Cause

The transaction volume in NJKiDS and the child support bank account are very large and many transactions have additional information, which cannot be captured through the manual reconciliation process. There are no specific system generated reports that address the unreconciled difference.

Effect

There are remaining unexplained differences between the OCSE 34A report of collections and disbursements and the bank account transactions.

Recommendation

We recommend that the Department continue to perform reconciliations between the child support bank account and OCSE 34A report, and improve the reconciliation procedures and methodology.

(Continued)

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Medicaid Cluster (93.775, 93.777, 93.778)

Children's Health Insurance Program (93.767)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13), 1205NJ5021 (10/1/11 – 9/30/13), 1305NJ5021 (10/1/12 – 9/30/14), 1205NJ5ADM (10/1/11 – 9/30/12), 1305NJ5ADM (10/1/12 – 9/30/13), 1405NJ5ADM (10/1/13 – 9/30/14) 1405NJ5021 (10/1/13 – 9/30/15), 1305NJ5021 (10/1/12 – 9/30/14),

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-057 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) is responsible for the administration of the Medicaid Cluster and Children's Health Insurance Program (CHIP) in the State of New Jersey (the State). These programs utilize the County Welfare Agencies (CWAs) to provide administrative assistance in terms of eligibility determinations, documentation intake and client interactions on behalf of the State. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2014 for applicable CWA subawards subject to FFATA.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-006 and 12-47, respectively.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA as it relates to CWA subawards.

Effect

The Department did not report the required CWA subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report CWA subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

(Continued)

Aging Cluster (93.044, 93.045, 93.053)

Grant Award Numbers and Years:

14AANJT3SS (10/1/13-9/30/14), 14AANJT3CM (10/1/13-9/30/14), 14AANJT3HD (10/1/13-9/30/14), 14AANJT3FC (10/1/13-9/30/14), 14AANJNSIP (10/1/13-9/30/14), 13AANJT3SP (10/1/12-9/30/13), 13AANJNSIP (10/1/12-9/30/13), 12AANJT3SP (10/1/11-9/30/12), 11AANJT3SP (10/1/10-9/30/11)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-058 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date unless they include only American Recovery and Reinvestment Act (ARRA) funds. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2014.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the required subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13), 1405NJ5MAP (10/1/13 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-059 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Provider Eligibility

In order to receive Medicaid payments, providers furnishing services to beneficiaries must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B (sections 455.100 through 455.106)).

Condition

The Department of Human Services (the Department) has contracted with a service organization, Molina Healthcare, Inc (Molina), to provide overall management of the State of New Jersey's (the State) Medicaid Management Information System (MMIS). Molina's responsibilities include determining the eligibility of providers to ensure they are licensed in accordance with the laws and regulations to participate in the Medicaid program and that the providers make certain disclosures to the State. This process includes the provider signing a Provider Agreement that details the requirements related to the program.

For four of the forty providers selected for testwork, the signed agreement did not disclose all of the required information as noted in 42 CFR 455, nor was a follow up performed by Molina to retrieve that information.

A similar finding was included in the 2013 prior year single audit report as item 2013-004.

Cause

Human error by Molina staff in reviewing the Provider Agreement allowed the provider's eligibility to be processed without all the required disclosures.

Effect

The Department enrolled a provider without obtaining all required disclosures.

Recommendation

We recommend that the Department strengthen procedures to ensure all documentation is properly obtained and review it to determine completeness, prior to processing eligibility.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

TANF Cluster (93.558)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13-9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-060 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq*., September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq*., July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 currently applies only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, the subaward reporting requirement applies to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding $25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date unless they include only American Recovery and Reinvestment Act (ARRA) funds. Once the requirement applies, the recipient must report, for any subaward under that award with a value of $25,000 or more, each obligating action of $25,000 or more in Federal funds.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) is responsible for the administration of the TANF Cluster in the State of New Jersey (the State). TANF funds are passed through to various other subrecipients to assist in achieving the programmatic goals. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable.

For twenty-one of the twenty-five subawards selected for testwork, the Department submitted the reports between 13 and 218 days late.

A similar finding was included in the 2013 and 2012 prior year single audit reports as items 2013-008 and 12-47, respectively.

Cause

The Department does not have procedures in place to ensure they report subawards through FSRS timely.

Effect

The Department did not submit FFATA reports timely.

Recommendation

We recommend that the Department implement procedures to ensure timely FFATA reporting.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13), 1405NJ5MAP (10/1/13 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 2014-061 Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. (OMB Circular A-87, Attachment B.8.h.6)

The New Jersey Medicaid State Plan incorporates *A Guide for ICF/MR - Principles and Procedures for Establishing Cost-Related Per Diem Rate with the New Jersey Department of Human Services (the Guide)*. Section 3.5.5.g.8 of the Guide states the following:

Support for Salaries and Wages

Direct charges for professionals must be supported by either an adequate appointment and workload distribution system, accompanied by monthly reviews performed by an individual responsible for change in workload distribution of each professional (i.e., an exception reporting system) or a monthly after-the-fact certification system which will require persons in supervisory position having firsthand knowledge of the services performed to report the distribution of effort (i.e., a positive reporting system). Such reports must account for the total salaried effort of the persons covered. Consequently, a system which provides for the reporting only of effort applicable to Federally sponsored activities is not acceptable.

Direct charges for salaries and wages of nonprofessionals will be supported by the time and attendance and payroll distribution records.

(Continued)

Condition

The Department of Human Services (the Department) is responsible for the operation and maintenance of the State's seven Residential Developmental Centers for Individuals with Developmental Disabilities. The Department has established principles and procedures for establishing cost-related per diem rates for the developmental centers through Attachment 4 of the Medicaid State Plan. Salaries and wages of professionals and nonprofessionals employed at the developmental centers are allocated to the Medicaid program as the majority of ICF/MR individuals served at the development centers are eligible for Medicaid benefits.

Timesheets at the developmental centers are prepared on a daily, weekly, or bi-weekly basis depending on the type of employee. Per review of the standard timesheets utilized by the development centers, there is no indication on the timesheet as to effort being spent on a specific Federal program. In addition, the Department was unable to provide support for the monthly reviews or after-the-fact certifications for direct salary and wage charges for professionals as required by the State Plan.

Additionally, we noted for three of forty employees selected for testwork, the Department was unable to provide the timesheets for the pay periods selected. These employees were at a developmental center which was closed in January 2015, and therefore, the supporting records were not able to be located during audit fieldwork.

Total personal services charged (inclusive of Federal and State funds) to the seven Residential Developmental Centers for Individuals with Developmental Disabilities was $ 303,736,722. The amount has been adjusted in the Federal financial reports and Schedule for Expenditures of Federal Awards to reflect the Federal share of expenditures.

Cause

The Department did not perform monthly reviews or after-the-fact certifications for direct salary and wage charges for professionals. In addition, time and attendance records for a development center closed in January 2015 were not able to be located during audit fieldwork.

Effect

Salary and related costs are not appropriately supported by certifications or time and attendance records in accordance with the State Plan.

Recommendation

We recommend that the Department ensure adherence to the State Plan to ensure that monthly reviews or after-the-fact certifications are prepared to support direct salary and wage charges for professionals.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2014

View of Responsible Official

See management’s corrective action plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN

(Unaudited)

STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS

State of New Jersey Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
State Agency: Department of the Treasury

Financial Statement Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-001 No finding in prior year	Please refer to the Management Response included within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.	**Michael Griffin – Treasury OMB (609) 984-9611**

State of New Jersey Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
State Agency: Department of the Treasury

Financial Statement Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-002 No finding in prior year	Please refer to the Management Response included within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.	**Michael Griffin – Treasury OMB (609) 984-9611**

Housing Voucher Cluster (14.871, 14.879)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-003 No finding in prior year	The report identified only $566 of questioned costs concerning the department's Housing Choice Voucher Program, which serves over 20,000 beneficiaries who received $206,767,434 in the aggregate during fiscal year 2014. Accordingly, testing revealed an error rate of a mere 0.0003 percent when compared to total program expenditure during fiscal year 2014. Moreover, the error rate is still a mere 0.2 percent when compared to the 40 beneficiaries tested who received $287,921 in the aggregate during fiscal year 2014. Despite the relatively immaterial error rates, the Department of Community Affairs will engage its supervisory staff to provide additional training to staff concerning the review of beneficiary payments.	**March 1, 2015** **Robert Bartolone – DCA (609) 984-2698**

Housing Voucher Cluster (14.871, 14.879)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Reporting

[1] Current and prior year finding number(s)

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-004 2013-038	The exception noted in this finding centered on the September 2013 VMS report, which contained some minor deficiencies. However, as noted in the report, testing of the subsequent quarterly reports submitted by the Department of Community Affairs revealed that the Voucher Management System (VMS) reporting was accurate and fully supported by evidentiary documents. The Department is satisfied that it has now implemented a quality control process to ensure the validity of the information reported through VMS as confirmed by the auditors' testing of the subsequent March 2014 and June 2014 VMS reports.	**March 2014** **Robert Bartolone – DCA** **(609) 984-2698**

CDBG – State Administered CDBG Cluster (14.228)
Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)
Housing Voucher Cluster (14.871, 14.879)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-005 No finding in prior year	Pursuant to the procedures set forth at New Jersey Office of Management and Budget Circular Letter 05-02-OMB, the Department of Community Affairs has implemented a standard process to reconcile the Schedule of Expenditures of Federal Awards (SEFA). The Department will review its procedures periodically throughout the reporting cycle to ensure that they are being implemented properly.	**March 1, 2015** **Robert Bartolone – DCA** **(609) 984-2698**

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-006 No finding in prior year	The Department of Community Affairs has reviewed the sufficiency of its procedures to ensure that beneficiary payments are calculated properly and has provided training to staff responsible for performing the calculations. Further, the Department has already provided notice to the affected individuals thereby seeking to cure the questioned payments.	**March 1, 2015** **Robert Bartolone – DCA** **(609) 984-2698**

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Procurement and Suspension and Debarment

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-007 No finding in prior year	The Department of Community Affairs $104,929 procurement concerning the provision of broadcast services was ultimately paid and approved through the State of New Jersey's procurement process. Moreover, the provision of services procured were allowable activities under the grant award. When compared to the $125,741,789 in total disbursements the Department made to vendors/contractors during fiscal year 2014, the error rate is a mere 0.08 percent.	**March 1, 2015** **Robert Bartolone – DCA** **(609) 984-2698**

[1] Current and prior year finding number(s)

	With respect to the suspension and debarment certifications, the Department has sufficient policies and procedures in place to ensure compliance with HUD's suspension and debarment regulations. As noted in the report, the eight subrecipients that did not have the suspension and debarment contract provision were all governmental entities. Nevertheless, the Department will ensure that its procedures concerning suspension and debarment reviews are applied to governmental entities.	

Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR) (14.269)
State Agency: Department of Community Affairs
Federal Agency: U.S. Department of Housing and Urban Development

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-008 No finding in prior year	Although the Department of Community Affairs subrecipient contracts contained almost all of the requirements set forth at 2 CFR 200.331, the Department has now developed a mechanism that will automatically populate the CFDA and award numbers in the subaward contracts at the time the subaward is made. The Department will also ensure that any changes to the subaward are communicated timely to subrecipients.	**March 1, 2015** **Robert Bartolone – DCA** **(609) 984-2698**

Homeland Security Grant Program (97.067)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Equipment

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-009 2013-037 12-21	The New Jersey State Police (NJSP) is currently in the process of drafting and implementing internal policies concerning the purchase, tracking, auditing and central record repository of items purchased via Federal funding. Policies forthcoming will include addressing the responsibilities and procedures for maintaining a current inventory of all issued equipment and auditing procedures for this inventory. All equipment items will be tagged and monitored for compliance with New Jersey Office of Management and Budget (OMB) circular letters. The Office of Information Technology (OIT) is in the process of transitioning to a new, internally developed, asset management system, as well as transitioning the entire asset management function to the Fiscal Unit. Once these processes are completed, OIT will be positioned for compliance with all OMB Asset Management circular letters. In addition, OIT will review the transaction associated with the building of the radio stations and record any applicable information in the State's Land Building Asset Management (LBAM) system. OIT will work to implement tracking procedures to identify equipment and to ensure application of the proper accounting.	**December 31, 2015** **William Kelly – OHSP** **(609) 584-4179**

Homeland Security Grant Program (97.067)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-010 No finding in prior year	The New Jersey State Police (NJSP) Fiscal and Grant Management Bureau will require each NJSP unit to retain and submit quarterly Grant Certification and Biweekly Grant Activity Log forms for all federally funded enlisted and civilian personnel. The Fiscal and Grant Management Bureau will process salary reimbursements when the NJSP unit submits all supporting documentation. The Department of Law and Public Safety is actively working with NJSP to transition all civilian employees into the eDaily system, eliminating the need for Biweekly Activity Logs. Expected completion timeframe of this transition is by the end of calendar year 2015. The Office of Homeland Security and Preparedness (OHSP) Grants Bureau liaisons will require NJSP to submit quarterly signed Grant Certifications and time keeping records for all Homeland Security Grant Program funded positions during their biannual visits. Beginning July 2015, the OHSP Grants Bureau liaison will collect and review NJSP Grant Certification and timekeeping records for the next scheduled biannual site visit.	**December 31, 2015** **William Kelly – OHSP** **(609) 584-4179**

Homeland Security Grant Program (97.067)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-011 No finding in prior year	The Office of Homeland Security and Preparedness (OHSP) Grants Bureau has identified staff to populate subaward data into the Federal Funding and Accountability Transparency Act Subaward Reporting System (FSRS) website within the required timeframe.	**Fiscal Year 2016** **William Kelly – OHSP** **(609) 584-4179**

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
Hazard Mitigation Grant (97.039)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Other Requirements – Information Technology General Controls

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-012 2013-035	The New Jersey Department of Law and Public Safety continue to work with the New Jersey Department of the Treasury, Division of Purchase and Property, to amend the current state contract with MB3. The amendment will require MB3 to obtain an annual audit in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16; Reporting on Controls at a Service Organization. Once the amendment is in place, MB3 will be required to complete the needed audit on a State fiscal year basis. Expected completion timeframe of this contract amendment is by the end of calendar year 2015.	**December 31, 2015** **Kathlyn Bender – OAG** **(609) 984-6936**

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-013 No finding in prior year	The current process requires the State to receive Federal Funding and Accountability Transparency Act (FFATA) forms before payments can be submitted. For disasters prior to DR-4086, the State requires the FFATA form with additional documentation before a Request for Reimbursement will be processed. For DR-4086 and all future disasters, the applicants will complete the FFATA information in the NJEMGrants system. The Office of the Attorney General is responsible for entering FFATA information into the FFATA Subaward Reporting System (FSRS).	**July 1, 2015** **Heather Pritchett – NJSP** **(732) 460-6262**

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Cash Management

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-014 2013-034 12-17 11-36	In May 2014, the State made a good faith effort to resolve this finding by submitting a request to the Federal Emergency Management Agency (FEMA) Region 2 for an amendment to the 2014 State Administrative Plan. This amendment changed the timeframe for the disbursement of funds requested from "3 days" to "administratively feasible." FEMA approved the amendment, however, since there were no declared disasters in 2014, FEMA declined to finalize the State Administrative Plan for that year. Current cash management procedures employed complies with the amended administrative plan language of "administratively feasible."	**Completed** **Heather Pritchett – NJSP** **(732) 460-6262**

Hazard Mitigation Grant (97.039)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-015 No finding in prior year	Going forward, all Hazard Mitigation Grant Program (HGMP) DR 4086 subaward recipients and all new recipients who receive $25,000 or more in federal funds will complete the Federal Funding and Accountability Transparency Act (FFATA) form on the NJEMGrants.org website. Recipients from prior HMGP awards, who received $25,000 or more, will be sent the FFATA form for completion and submission prior to final payment.	**December 31, 2015** **SFC Michael Gallagher – NJSP** **(609) 882-2000 - Ext. 3032**

Hazard Mitigation Grant (97.039)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-016 No finding in prior year	The two SF-425 Federal Financial Reports (FFRs) cited in the finding were corrected in January 2015. The amended reports now reflect the correct figures for the quarter in which the errors were made. The Office of Emergency Management has implemented an updated review process to verify the authenticity of the figures reported on the SF-425. The reports are now compiled by an Accountant on staff; reviewed by the Administrative Analyst 1 on staff; and are now verified and signed by the Finance Unit Head. This process will ensure that amounts reported are accurate and properly reviewed prior to report submission.	**Completed – January 31, 2015** **Lt. Walter Babecki – NJSP** **(609) 882-2000 - Ext. 3048**

[1] Current and prior year finding number(s)

Hazard Mitigation Grant (97.039)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-017 No finding in prior year	The New Jersey Office of Emergency Management has instituted a policy in which all employees (civilian and enlisted) now use the eDaily system to track and record their time and work activities. The eDaily system allows the employees to enter the specific time worked on a particular grant and allows the employee's supervisor to approve that time. This policy became effective January 2, 2015.	**January 2, 2015** **Kathlyn Bender – OAG** **(609) 984-6936**

Hazard Mitigation Grant (97.039)
State Agency: Department of Law and Public Safety
Federal Agency: U.S. Department of Homeland Security

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-018 No finding in prior year	The Mitigation Unit, within the New Jersey State Police Recovery Bureau, is responsible for program monitoring and reporting to verify that projects are being completed and that funds are expended as reported on subgrantee performance reports. Prior to April 2014, the Mitigation Unit had four staff members. With Hurricane Sandy recovery ongoing and several other disaster and non-disaster projects to manage, site inspections were difficult to complete. In April 2014, the Mitigation Unit hired twelve new staff members, each assigned to specific regions in the State that allows for closer monitoring of grant activities. Going forward, these new staff will perform site inspections as required in the Hazard Mitigation Grant Program Administrative Plan, which states that there will be minimally three primary field inspections of each project.	**December 31, 2015** **SFC Michael Gallagher – NJSP** **(609) 882-2000 - Ext. 3032**

Unemployment Insurance (17.225)
State Agency: Department of Labor and Workforce Development
Office of Information Technology
Federal Agency: U.S. Department of Labor

Other Requirements – Information Technology General Controls

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-019 2013-018 12-35 11-1	1. <u>Access at the Data Center at Systems and Communications (SAC) and OIT Availability and Recovery Site (OARS)</u> • *<u>Office of Information Technology (OIT) Response</u>*: An attestation of physical access rights to the Data Centers and Server Rooms will be performed on an annual basis. During which OIT will reassess physical access rights to adjust and/or reduce the number of physical access rights into OIT facilities. 2. <u>Appropriateness of Access</u> • *<u>Department of Labor and Workforce Development (DLWD) Response</u>:* DLWD reviewed individuals with A250 access on August 7, 2014. A250 access allows the user to have insert and update capability into most any field in NJLOOPS. In regards to all other	**Stephen Foundos—OIT** **(609) 633-8791** **• April 30, 2015 to June 30, 2015** **Jerry Calamia - DLWD** **(609) 292-1885** **• March 31, 2015**

[1] Current and prior year finding number(s)

	access level, OIA and the program area will work together and develop a plan that ensures all users access levels are reviewed at least annually. • *OIT Response*: Senior Development personnel have access to Production moves. Segregation of duties can be practiced to reduce a single person from performing both Development and Production moves only when fully staffed. Despite this, a limited number of senior Development personnel still need to retain the ability to do Production moves during short-staffed periods and/or for emergency-related 24 hours per day-7 days per week system support. To compensate for the segregation of duties issue, OIT's Internal Monitoring, Audit and Controls Unit will monitor and log system activity as to its propriety. • *DLWD Response:* As of January 26, 2015, DLWD removed the access for the two individuals who are not part of UI and had access to the benefit calculation table. • *DLWD Response*: As of February 3, 2015, DLWD has removed the ACF2 access for the eight individuals cited in the audit finding. It should be noted that none of the eight individual's accounts were accessed after they left DLWD. • *OIT Response*: Due to the increased amount of transitional personnel activity at the June 30 fiscal year end, either a primary or a supplemental physical access rights attestation will be completed at that point. This will account for all fiscal year changes to OIT personnel and their physical access rights into OIT facilities. Logical access rights, for the Windows Network and NJLOOPS Application, are to be accounted for in the same manner. 3. Disaster Recovery • *DLWD Response:* On September 23, 2014 DLWD and OIT held a table top exercise regarding disaster recovery. This is a precursor to an actual disaster recovery test to be performed in 2015.	**Stephen Foundos—OIT** **(609) 633-8791** **• September 30, 2015** **Jerry Calamia - DLWD** **(609) 292-1885** **• January 26, 2015** **Jerry Calamia - DLWD** **(609) 292-1885** **• February 3, 2015** **Stephen Foundos—OIT** **(609) 633-8791** **• June 30, 2015** **Jerry Calamia - DLWD** **(609) 292-1885** **• December 31, 2015**

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
State Agency: Department of Labor and Workforce Development
Federal Agency: U.S. Department of Education

Eligibility

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-020 No finding in prior year	The Department of Labor and Workforce Development (DLWD) acknowledges there was a delay in serving the seven clients as cited in the audit finding. However, all seven have recieved service and DLWD did not incurr any additionial costs due to the delay in providing service. DLWD will be sending a technical assistance memo to field management and following up during their management meeting on March 11, 2015.	**March 11, 2015** **Jerry Calamia – DLWD** **(609) 292-1885**

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
State Agency: Department of Labor and Workforce Development
Federal Agency: U.S. Department of Education

[1] Current and prior year finding number(s)

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-021 No finding in prior year	The Department of Labor and Workforce Development's (DLWD) fiscal year 2012 federal award for Vocational Rehabilitation Services totaled $46,169,916 representing 78.7% of the total required funding. The required State match amount is $12,495,797 or 21.3% of the total required funding. For the period ending 9/30/2012, the full-required State match of $12,495,797 was in place and reported on the ETA-9130 report and on subsequent reports for the period-endings 3/31/2013 and 9/30/2013 (dated 11/15/2013). At that time the grant award funds were not fully drawn down ($45,987,636) from the federal Payment Management System. The ETA-9130 report contains a calculation of required State match based on the amount of federal funds drawn (Cash Receipts) not on federal funds expended. This calculation gave the appearance of an over-match of $49,334. The DLWD revised the amount of State match provided on the 9/30/2013 report (dated 1/10/2014) to be in line with the calculated amount required ($12,446,460) based on Cash Receipts ($45,987,636). The full required State match ($12,495,797) should have continued to be the reported amount. This amount was in place and documented. DLWD subsequently drew down the remaining grant funds as part of the closeout process. This caused the 9/30/2013 report (dated 5/16/2014) to show an under-match of $49,334. Had the 1/10/2014 revision not been made, all the reported State match amounts would have been $12,495,797. Upon discussion with the auditors, DLWD revised the 9/30/2013 final report to reflect the full amount of State match provided ($12,495,797). Future reports will be prepared and reviewed with the knowledge that the amount calculated on the ETA-9130 report is based on cash receipts not federal expenditures reported. A calculation of the actual State match requirement will be part of the review.	**Completed – November 21, 2014** **Jerry Calamia – DLWD** **(609) 292-1885**

Disability Insurance/SSI Cluster (96.001)
State Agency: Department of Labor and Workforce Development
Federal Agency: Social Security Administration

Period of Availability

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-022 No finding in prior year	The Department of Labor and Workforce Development (DLWD) will continue to be vigilant regarding the period of funding availability. DLWD has made the appropriate adjustments for the fiscal year 2012 costs of $1,671 and the fiscal year 2013 costs of $1,498. These costs have been charged to the fiscal year 2014 grant. Based on this action we consider the matter resolved.	**Completed – January 22, 2015** **Jerry Calamia – DLWD** **(609) 292-1885**

Workforce Investment Act (WIA) National Emergency Grants (17.277)
State Agencies: Department of Labor and Workforce Development
Department of Military and Veterans Affairs
Federal Agency: U.S. Department of Labor

Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-023 No finding in prior year	*Department of Military and Veterans Affairs (DMAVA) Response*: The National Emergency Grants (NEG) program grant ended December 31, 2014. However, if DMAVA receives future grants of this nature, we have established guidelines, procedures and forms to conform to federal time and effort reporting requirements. In addition,	**January 29, 2015** **C. Carl Lang, Jr. – DMAVA** **(609) 530-6941**

[1] Current and prior year finding number(s)

	DMAVA attests that all questioned costs noted for this audit finding directly relate to salary costs of program participants who worked 100% of the time on program activities and functions. Time sheets were utilized by all employees of this program, however there was no indication of the particular program on the time sheets. *Department of Labor and Workforce Development (DLWD) Response*: The individuals cited in this finding were participants under the NEG program and as such were only hired to work on the NEG grant. Also, because these individuals were participants the time and effort reporting were not necessary, as DMAVA was being reimbursed for participant costs and they were working on one grant only. If necessary, DLWD will work with DMAVA to produce the supporting paperwork to document that the individuals were participants.	**Jerry Calamia – DLWD** **(609) 292-1885**

National Guard Military Operations and Maintenance (O&M) Projects (12.401)
State Agency: Department of Military and Veterans Affairs
Federal Agency: U.S. Department of Defense

Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-024 No finding in prior year	The Department of Military and Veterans Affairs (DMAVA) Human Resources has revised the time sheets used by the department to now reflect CFDA 12.401 & 12.UNA and the applicable Master Cooperative Agreement (MCA) Appendix that personnel are assigned to. The time sheet revisions were made in accordance with OMB Circular A-87, Attachment B requirements. Certifications by signature of the employee and supervisor are incorporated within each time sheet.	**January 29, 2015** **Cindy Leese - DMAVA** **(609) 530-7056**

National Guard Military Operations and Maintenance (O&M) Projects (12.401)
State Agency: Department of Military and Veterans Affairs
Federal Agency: U.S. Department of Defense

Suspension and Debarment

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-025 No finding in prior year	The Department of Military and Veterans Affairs (DMAVA) was checking the suspension and debarment lists but was not documenting these tasks. A new checklist has been developed and is now in place to ensure that the suspended and debarred contractor lists, as well as the Architectural and Engineering (A&E) lists, are being checked with completed checklist copy placed in the files for reference.	**January 26, 2015** **Vernon C. Hicks - DMAVA** **(609) 530-6992**

Veterans State Nursing Home Care (64.015)
State Agency: Department of Military and Veterans Affairs
Federal Agency: Department of Veterans Affairs

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-026 No finding in prior year	Once the Department of Military and Veterans Affairs (DMAVA) became aware of the incorrect CFDA number being utilized for the Veterans' Homes per diem program, the CFDA table was researched and the correct CFDA number (64.015) was communicated to Treasury-Office of Management and Budget to correct this on the accounting system. The Department of Veterans Affairs (VA) also verified this number and the point of contact at the VA is Terry Jeffries, 973-676-1000, Ext 1766.	**November 28, 2014** **Thomas J. DeShields - DMAVA** **(609) 530-6718**

[1] Current and prior year finding number(s)

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
Public Health Emergency Preparedness (93.069)
Immunization Cooperative Agreements (93.268)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)
National Bioterrorism Hospital Preparedness Program (93.889)
HIV Care Formula Grants (93.917)
State Agency: Department of Health
Federal Agencies: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-027 2013-021 12-26 11-45	The Department of Health (DOH) Office of Financial Services has made an aggressive implementation plan to comply with reporting subaward data under Federal Funding Accountability and Transparency Act (FFATA) subaward reporting requirements. DOH has already trained two divisions and one is currently fulfilling its FFATA requirement. The Grants Management and Review Unit will monitor divisional compliance and enforce DOH procedures.	**July 1, 2015** **William Jaeger – DOH** **(609) 633-6067**

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
State Agency: Department of Health
Federal Agency: U.S. Department of Agriculture

Special Tests and Provisions

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-028 2013-025	In January 2014, additional staff hours were added to address this task. This was helpful but after further internal assessment in May 2014, additional hours were added from a third staff person. Each of the three assigned staff persons work on this task jointly (preferred method) or individually. Additionally, the Department of Health (DOH) has revised codes used for the reasons why the errors were occurring. Since January 2014, DOH has been current in this task and is completing the reviews within the required timeframe. During the audit engagement, DOH revised the process and now requires that each page must be signed and dated once it has been reconciled. It should be noted that all instances of non-compliance cited occurred in the first half of the fiscal year 2014 audit period and that DOH was compliant during the second half of the audit period. Based on enhancements made to the review process, the increased staffing hours added, and required tasks currently being completed within required timeframes, there is no additional corrective action needed at this time.	**Completed – January 2014** **Electra Moses – DOH** **(609) 292-9560** **Melissa Briggs – DOH** **(609) 777-7737**

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
State Agency: Department of Health
Federal Agency: U.S. Department of Agriculture

Cash Management

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-029 2013-022	The Department of Health (DOH) and Department of the Treasury-Office of Management and Budget (OMB) discussed the draw pattern for subrecipient component upon discovery of this discrepancy during the prior fiscal year 2013 audit engagement. As of March 2014, the federal draws were immediately changed to the required eight days post disbursement of State funds. This course of action was conveyed within the prior fiscal year 2013 Single Audit Corrective Action Plan. Since March 2014, DOH is fully compliant with the current Treasury-State Agreement and its required draw schedule of eight days post disbursement of State funds for this covered program under the Cash Management Improvement Act (CMIA).	**Completed – March 2014** **Jackie Shelly – DOH** **(609) 633-2104** **Denise Mennuti – DOH** **(609) 633-6800**

Immunization Cooperative Agreements (93.268)
State Agency: Department of Health
Federal Agency: U.S. Department of Health and Human Services

Special Tests and Provisions

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-030 2013-027	Staff shortages at the Department of Health (DOH) have hindered the ability to meet the required number of compliance visits as outlined by the Centers for Disease Control (CDC). From May through August of 2014, there was only one (of the needed six) full-time public health representative conducting site visits, as the only other public health representative was out on extended medical leave. The Vaccine Preventable Disease Program (VPDP) conveys staffing shortages to the CDC during the program's annual technical site visit. For the program's June 2014 technical visit, the CDC reported; *"Due to an extreme shortage of staff resources, while the NJ Vaccines for Children Program has worked diligently to comply with all requirements of the cooperative agreement, the program continues to be challenged in meeting the goal of conducting compliance visits to its providers every other year. Currently, the program has one Field Public Health Representative to complete this work, as the other is on medical leave. The program has been approved to hire additional staff to conduct visits. During 2014, the program plans to conduct ~ 300 Vaccines for Children compliance visits"*. As advised by the CDC, the program continues trying to fill vacancies to meet the annual provider site visit percentage (50% of all Vaccines for Children providers annually). Due to hiring freezes and staff attrition, the program has not had sufficient staff to conduct site visits to all of its identified providers. However, the program continues to ensure that the CDC is kept abreast of its short fall in provider visits and staffing. During the second half of calendar year 2014, the program did get approval to hire four additional staff in order to meet our requirement, but the filling of those positions has been slow due to candidate list certifications and civil service conflicts. The program was able to hire two public health representatives to conduct field visits in late September 2014 that led to exceeding the CDC estimate for 2014 by completing 381 site visits. (This was primarily due to the two additional staff conducting visits during the final quarter of 2014.) As of February 2015, DOH received approval to hire the final two required Public Health Representatives with an anticipated start date of March 9, 2015. DOH anticipates meeting the CDC site visit requirement during state fiscal year 2016 once a full contingent of trained field staff is in place.	**October 1, 2015** **Steven Bors – DOH** **(609) 826-4861**

HIV Care Formula Grants (93.917)
State Agency: Department of Health
Federal Agency: U.S. Department of Health and Human Services

Suspension and Debarment

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-031 2013-026	The Department of Health (DOH) implemented corrective action for fiscal year 2014 and going forward by including a certification page with an electronic signature in the System for Processing Grants Electronically (SAGE) applications. "Schedule G – Certification Regarding Debarment and Suspension" within SAGE was instituted for full grants and is now required on mini-grants, which are awards totaling $36,000 and under. The Department did not include prior fiscal year 2013 award amendments in this process change, which was where the one mini-grant cited for non-compliance was included. DOH will now require all amended awards to have Schedule G Certification regardless of the grant's fiscal year. The Grants Review Unit will not process any grant that does not have the schedule.	**Completed - March 1, 2015** **William Jaeger – DOH** **(609) 633-6067**

Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)
State Agency: Department of Health
Federal Agency: U.S. Department of Health and Human Services

Level of Effort

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-032 No finding in prior year	As noted in the audit finding, the State of New Jersey met the level of effort requirement for the Federal fiscal year periods examined but reported those amounts incorrectly in the annual Grant Application Package. Going forward, the Department of Health (DOH) Office of Family Health Services and the central Budget Office will establish fiscal and programmatic controls to ensure that certified level of effort amounts listed within the application's Maintenance of Effort Chart only reflect non-federal expenditures.	**July 1, 2015** **Eric Anderson – DOH** **(609) 292-6915** **Ashwani Chopra – DOH** **(609) 984-1315**

Public Health Emergency Preparedness (93.069)
National Bioterrorism Hospital Preparedness Program (93.889)
State Agency: Department of Health
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-033 No finding in prior year	Correction to the Schedule of Expenditures of Federal Awards (SEFA) was made and communicated to the Department of the Treasury-Office of Management and Budget (OMB) upon identification of this issue. The Department of Health (DOH) will use a separate Object Number to distinguish between CFDA numbers and properly record expenditures going forward. Controls for the review of the annual SEFA report within the Federal Funds office will be implemented.	**March 1, 2015** **Eric Anderson – DOH** **(609) 292-6915**

Special Supplemental Nutrition Program for Women, Infants and Children (10.557)
Immunization Cooperative Agreements (93.268)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)
TANF Cluster (93.558)
National Bioterrorism Hospital Preparedness Program (93.889)
HIV Care Formula Grants (93.917)
Block Grants for Prevention and Treatment of Substance Abuse (93.959)
State Agency: Department of Health

[1] Current and prior year finding number(s)

STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-034 2013-029 12-31	The Department of Health's (DOH) Audit section experienced unusual staffing shortages for fiscal year 2014 due to staff member's leaves of absence and the retirement of the audit chief. For fiscal year 2015, contract auditors were hired to supplement staff and perform the required desk reviews. In addition, a new audit chief has been hired and is scheduled to begin employment during March 2015. DOH will review and implement strengthened procedures to ensure timely receipt and review of audit reports within the six-month period prescribed by federal OMB requirements.	**Fiscal Year 2015** **Eric Anderson – DOH** **(609) 292-6915**

Highway Planning and Construction Cluster (20.205, 20.219)
State Agency: Department of Transportation
Federal Agency: U.S. Department of Transportation

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-035 No finding in prior year	The Department of Transportation (NJDOT) has instituted Policy No. 708, Federal Funding Accountability and Transparency Act (FFATA) Reporting Requirements effective January 1, 2015. This internal policy governs NJDOT compliance with FFATA reporting requirements on a monthly cycle.	**January 1, 2015** **David Kuhn – NJDOT** **(609) 530-3855**

Aging Cluster (93.044, 93.045, 93.053)
Social Services Block Grant (93.667)
HIV Care Formula Grants (93.917)
State Agency: Department of the Treasury
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-036 No finding in prior year	As of March 1, 2015, the New Jersey State Office of Legal Services will begin documenting all contact with subrecipients regarding delinquent audit report submissions. The initial contact attempt will be via email, followed by telephone contact that will be logged as to date and time. This documentation will be maintained for future reference. Failure by the subrecipient to respond to these notices may result in referral to each funding agency for further action and possible sanctions.	**March 1, 2015** **Rafael Aviles - Treasury** **(609) 292-6262**

Foster Care – Title IV-E (93.658)
Adoption Assistance (93.659)
State Agency: Department of Children and Families
Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services

Other Requirements – Information Technology General Controls

[1] Current and prior year finding number(s)

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-037 No finding in prior year	<u>*Department of Children and Families (DCF) Response*</u>: Password complexity for the Database and Operations System of the New Jersey Statewide Protective Investigation, Reporting, and Information Tool (NJSPIRIT) application will be configured such that they are compliant with existing OIT password policy and best business practice. This includes addressing vendor default settings, change in password attempts from five to three times, and increasing the password complexity. DCF requested that the Enterprise Business Services Unit within the Department of Human Services (DHS) make these necessary password changes in February 2015 and will continue to work with DHS to ensure this is implemented by June 30, 2015.	**June 30, 2015** **Jason Ciseck – DCF** **(609) 888-7267**

Block Grants for Prevention and Treatment of Substance Abuse (93.959)
State Agencies: Department of Children and Families
Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Suspension and Debarment and Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-038 2013-012	<u>*Department of Children and Families (DCF) Response*</u>: Beginning July 1, 2015, all new awards or renewals shall ensure that the subrecipients are made aware of the Federal award information and compliance requirements related to the programs the provider administers on behalf of the State. In addition, as of the same date, all new awards and or renewals shall include a certification for the provider to sign regarding suspension and debarment.	**Fiscal Year 2016** **Karen Baldoni – DCF** **(609) 888-7333**

Social Services Block Grant (93.667)
State Agencies: Department of Human Services
Department of Children and Families
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-039 No finding in prior year	<u>*Department of Human Services (DHS) Response*</u>: DHS will be developing appropriate policies and procedures to ensure that all Social Services Block Grant funding will meet the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA). Additionally, DHS has developed a template that will serve as a data-gathering tool to upload the required information on a monthly basis.	**April 2015** **Morris Friedman – DMHAS** **(609) 984-5290**

Social Services Block Grant (93.667)
State Agencies: Department of Human Services
Department of Children and Families
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-040 2013-015	Department of Children and Families (DCF) Response: For fiscal year 2015, the State of New Jersey has centralized the responsibility for the programmatic and the fiscal administration of the Social Services Block Grant funds for the County Welfare Agencies with the Department of Human Services-Division of Family Development.	**Fiscal Year 2015** **Doris Windle – DCF** **(609) 888-7356**

Hurricane Sandy Relief Cluster (93.095)
State Agencies: Department of Children and Families
Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-041 No finding in prior year	Department of Human Services (DHS) Response: DHS will be developing appropriate policies and procedures to ensure that all Hurricane Sandy Relief Cluster funding will meet the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA). Additionally, DHS has developed a template that will serve as a data-gathering tool to upload the required information on a monthly basis.	**April 2015** **Morris Friedman – DMHAS** **(609) 984-5290**

TANF Cluster (93.558)
State Agencies: Department of Human Services
Department of Children and Families
Federal Agency: U.S. Department of Health and Human Services

Suspension and Debarment and Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-042 2013-011 12-42	Department of Children and Families (DCF) Response: Beginning July 1, 2015, all new awards and or renewals shall ensure that the subrecipients DUNS numbers are confirmed prior to entering the award. In addition, as of the same date, all new awards and or renewals shall include a certification for the provider to sign regarding suspension and debarment. DCF will also perform monitoring visits of its subrecipients.	**Fiscal Year 2016** **Karen Baldoni – DCF** **(609) 888-7333**

TANF Cluster (93.558)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-043 2013-002 12-43 11-6	Beginning April 1, 2015 and each month thereafter, the Division of Family Development (DFD) Office of County Operations will complete a random TANF case file review of 10 new and 10 recertification files per county to monitor for timely and correct completion of the TANF application and recertification. The case file reviews will include checking that the application is present, complete, signed, and that required documentation is present; including but not limited to proof of birth, citizenship, state of residence, agreement to repay, work requirements are correctly imposed and monitored, and that Child Support and Paternity (CSP) compliance documentation is present.	**April 1, 2015** **Joseph Maag - DFD** **(609) 588-2160**

SNAP Cluster (10.551, 10.561)

[1] Current and prior year finding number(s)

STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2014
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS

TANF Cluster (93.558)
State Agencies: Office of Information Technology
Department of Human Services
Federal Agencies: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Other Requirements-Information Technology General Controls

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-044 2013-003 12-51 11-15 10-12 09-10 08-44 07-8	1. *Access at the Data Center at HUB and OIT Availability Recovery Site (OARS)* <u>Office of Information Technology (OIT) Response</u>: • An attestation of physical access rights to the Data Centers and Server Rooms will be performed on an annual basis. During which OIT will reassess physical access rights to adjust and/or reduce the number of physical access rights into OIT facilities. • Request for Proposal award recommendation has been submitted by OIT to the Division of Purchase and Property (DPP) for a third party print vendor. OIT expects an in-favor-of DPP decision shortly. Once awarded print operations will immediately begin transitioning. Print operations will cease at the HUB once fully implemented. The transition period, once started, is estimated at twelve months. Renovations for Information Technology consolidation will continue afterwards. • Volume discounts for upgrading procurements for the HUB camera system, door alarms and card readers are being weighed to lessen budgetary concerns, which OIT has experienced in recent fiscal years. Other concerns are building codes and fire safety as door alarms and lock deactivation for an emergency fire exit is a personnel concern should power difficulties occur. 2. *Accountability for Access* <u>OIT Response</u>: • Shared accounts procedures for their review and monitoring, by an independent party, along with documentation of such access rights are to be formalized. 3. *Disaster Recovery* <u>Department of Human Services (DHS) Response</u>: The Disaster Recovery (DR) Plan has been updated and a DR test is scheduled for April 14, 15, & 16, 2015. DR testing will be performed periodically to assess the process, tools, and people involved with this process.	**Stephen Foundos – OIT** **(609) 633-8791** • **April 30, 2015 to June 30, 2015** • **March 31, 2016** • **September 30, 2015** **Stephen Foundos – OIT** **609-633-8791** • **September-30, 2015** **Pat DeMarco – DHS** **(609) 588-3968** • **April 14, 2015**

Block Grants for Prevention and Treatment of Substance Abuse (93.959)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Earmarking

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

[1] Current and prior year finding number(s)

2014-045 No finding in prior year	The Division of Mental Health and Addiction Services (DMHAS) has developed and put in place written procedures for the proper segregation of duties over the earmarking requirement for the Prevention and Treatment of Substance Abuse Block Grants. The grants analyst will now prepare the Fund Usage Statement (FUS), which incorporates the Maintenance of Effort report and submit the report to the Supervisor of Fiscal Management Operations (SFMO) for review. The SFMO will give written approval of the FUS before submission to the federal government.	**January 16, 2015** **Janice Peek – DMHAS** **(609) 984-1309**

Block Grants for Prevention and Treatment of Substance Abuse (93.959)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Activities Allowed or Unallowed and Allowable Costs/Cost Principles, Cash Management, Period of Availability

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-046 No finding in prior year	The Division of Mental Health and Addiction Services (DMHAS) were temporarily unable to locate the files for the five subrecipients totaling $178,402 during the audit fieldwork. DMHAS misplaced the boxes containing files of invoices and documents for the Substance Abuse Prevention and Treatment subrecipient Block Grant during the relocation to the current address in fiscal year 2014, after the Division of Addiction Services merged with the Division of Mental Health Services. The payment invoices and all supporting records were located subsequent to the audit and are currently maintained on file. DMHAS maintains adequate documentation on file to support payments to subrecipients.	**January 16, 2015** **Mian Shi – DMHAS** **(609) 292-0747**

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Education

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-047 2013-014 12-49 11-11 10-10 09-6 08-7	The Cost Allocation Plan for all four quarters will be complete by April 30, 2015. The Commission for the Blind and Visually Impaired (CBVI) Fiscal Office gained two staff persons (Administrative Analyst and Accountant) in February 2015. With the additional staff, it is expected that the Cost Allocation Plan will be completed and filed in a timely manner the next fiscal year.	**April 30, 2015** **Edward Szajdecki – CBVI** **(973) 648-2396**

SNAP Cluster (10.551, 10.561)
State Agency: Department of Human Services
Federal Agencies: U.S. Department of Agriculture

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-048	In response to the finding that three of the nineteen Management Evaluations (ME) reviews were not performed during the required timeframe, effective immediately, the Office of ME has added three additional staff to address this issue. In addition, the Office of ME	**September 30, 2015**

[1] Current and prior year finding number(s)

No finding in prior year	will conduct simultaneous reviews in agencies that are in close geographical proximity. Furthermore, the Office of ME has recently met with the Food and Nutrition Service (FNS) staff to discuss the possibility of streamlining our sample process.	**Andrea Petranto – DFD** **(609) 588-7941**

SNAP Cluster (10.551, 10.561)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Agriculture

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-049 2013-006 12-47	The Division of Family Development (DFD) Budget Office accumulated all required Federal Funding Accountability and Transparency Act (FFATA) information (entity information; DUNS #, etc.) from each County Welfare Agency (CWA) as part of the annual CWA budget process and projected the annual reimbursements for each agency for TANF. This information was provided to the DFD Office of Financial Reporting who submitted this information to the FFATA Subaward Reporting System (FSRS) website in November 2014. The information will be updated periodically during the year on an as-needed basis. This procedure will be performed annually.	**October, 2014** **Shammi Bhatia – DFD** **(609) 588-2045**

SNAP Cluster (10.551, 10.561)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Agriculture

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-050 No finding in prior year	The current supervisory review, while comprehensive, places a significant emphasis on ensuring that the federal reimbursement amount is correct. In accordance with the recommendation, the Division of Family Development (DFD) Office of Financial Reporting will strengthen our procedures to ensure that all data is sufficiently verified and reported on the quarterly SF-425 reports. In addition to the corrective action, the following should be noted: • The discrepancy in the SF-425 for September 2013 cited in this finding was adjusted and corrected with the Food and Nutrition Service (FNS) in February 2015; • The discrepancy was a data entry error in the total column only. No change was necessary in the reported federal amount since this entry was correct.	**March 2015** **Shammi Bhatia – DFD** **(609) 588-2045**

Medicaid Cluster (93.775, 93.777, 93.778)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Special Tests and Provisions

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-051 No finding in prior year	The Division of Medical Assistance and Health Services (DMAHS) concurs with this finding.	**June 2015** **Jacki Cantlin – DMAHS** **(609) 588-2665**

[1] Current and prior year finding number(s)

	The Department of Human Services will be meeting to discuss what to do about Nursing Home audits in the future given the transition to Managed Care for clients in Nursing Homes.	

Medicaid Cluster (93.775, 93.777, 93.778)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-052 2013-001 12-1 11-2 10-1 09-1 08-1 07-42	The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding. The Bureau of Quality Control (BQC) has worked diligently in becoming and staying current with Centers for Medicare and Medicaid Services (CMS) required activities and reporting. In addition, a solid foundation has been successfully established for enhanced and coordinated DMAHS monitoring for all eligibility determining agencies (EDAs). Initial activities began in State fiscal year 2015 and include targeted reviews (specific counties for specific types of cases) and aggregate reporting. The aggregate reports will support the Office of Eligibility Policy-County Operations in working with EDAs on corrective action for eligibility errors and deficiencies found in the course of quality control reviews.	**June 2015** **Sharon Metro - DMAHS** **(609) 588-2958**

Children's Health Insurance Program (93.767)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-053 2013-009	The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding. DMAHS has worked with the Division of Family Development (DFD) to implement this award identification reporting requirement for division administered Federal programs and it is now in place for fiscal year 2015.	**Fiscal Year 2015** **Rob Durborow – DMAHS** **(609) 588-3832**

Children's Health Insurance Program (93.767)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-054 No finding in prior year	The Title XXI cases selected for casework are handled by the County Welfare Agencies (CWA) under Medicaid Expansion. Most Title XXI cases handled by the CWAs were transferred out of their control to the Health Benefits Coordinator vendor, Xerox, in preparation for the implementation of the Affordable Care Act. Only a small percentage of Title XXI cases remain at the CWAs and these too will be transferred. The Bureau of Quality Control has worked diligently in becoming and staying current with Centers for Medicare and Medicaid Services (CMS) required activities and reporting. In addition, a solid foundation has been successfully established for enhanced and coordinated DMAHS monitoring for all eligibility determining agencies (EDAs). Initial activities began in State fiscal year 2015 and include targeted reviews (specific counties for specific types of cases) and aggregate reporting. The aggregate reports will support the Office of Eligibility	**June 2015** **Sharon Metro - DMAHS** **(609) 588-2958**

[1] Current and prior year finding number(s)

	Policy-County Operations in working with EDAs on corrective action for eligibility errors and deficiencies found in the course of quality control reviews.	

Child Support Enforcement (93.563)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Subrecipient Monitoring

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-055 No finding in prior year	The Office of Child Support Services (OCSS) diligently tracks and monitors required corrective action plans for all conducted audits. The Program Compliance Unit supervisors are responsible for ensuring receipt and reviews of all corrective action plans by utilizing excel tracking spreadsheets. After issuance of the final reports, the counties generally have one month to submit their corrective action plans as necessary. In this instance, the supervisor for Program Compliance tracked the County Welfare Agency's (CWAs) corrective action plan. However, the supervisor retired one month before the plan was due. Due to transition of personnel, the tracking of the receipt of this plan was overlooked. The corrective action plan was received on December 1, 2014. Although the CWAs corrective action plan was not received by the due date, the OCSS onsite support staff continued to work with this county to develop their plan to increase proficiency. Self-Assessment results for federal fiscal year 2014 show that their efforts have been successful and they are no longer deficient. Their compliance percentage increased from 78% in Federal fiscal year 2013 to 100% in Federal fiscal year 2014. OCSS has now implemented automated tracking mechanisms through Microsoft Outlook to further enhance tracking and ensure receipt and follow-up. The manager, supervisor and onsite support staff set a tracking alert to send reminders to deficient counties two weeks prior to the due date. They also set a tracking alert for the day corrective action plans are due to ensure receipt. If a corrective action plan is not received by the due date, the alerts will prompt OCSS staff at various supervisory levels to follow up with the county to ensure submission.	**March 18, 2015** **Patricia Risch – DFD** **(609) 631-2780**

Child Support Enforcement (93.563)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-056 2013-013 12-46 11-9 10-6 09-7 08-2 07-5 06-1 05-7 04-18 03-7	New Jersey Child Support collections and disbursements approximate $1.2 to $1.3 billion annually. Prior to the implementation of the State Disbursement Unit (SDU), the collection and reconciliation of these transactions was manually performed by the DFD Office of Financial Reporting (OFR) and included information from a myriad of banks and financial institutions utilized by County Probation Departments, Family Courts and the Administrative Office of the Courts (AOC). After the advent of the SDU, the development of a reconciliation module within the New Jersey Kids Deserve Support (NJKiDS) system was initiated and implemented by the Office of Child Support Services (OCSS). The OFR developed and refined a new system utilizing the new reconciliation screens, internal reports, the OCSE 34A, and monthly bank statements from the SDU Main Concentration Account that has dramatically improved the reconciliation effort. For example, in the month of June 2013, the old manual reconciliation process contained a variance of nearly $3.0 million. As recently as February 2015, that amount has dropped to just under $27,000. This represents a 99% increase in the overall efficiency of the reconciliation process. Additionally, with an average daily balance of $27.5 million, the	**Ongoing** **Shammi Bhatia – DFD** **(609) 588-2045** **Thomas Mattaliano – DFD** **(609) 588-2165**

[1] Current and prior year finding number(s)

02-6 01-6 00-30	overall balance variance has reduced from 3.6% (June 2013) to less than 0.1% (February 2015) which amounts to an efficiency increase of 97.2%. The OCSS and the OFR has and will continue to research reasonable changes and adjustments to improve the reconciliation methodology. It should be noted that, given the myriad of timing issues inherent within the transmission of data between NJKiDS, the bank, the SDU and the OCSE 34A report, it is probable that any further positive change in the variance will be incremental at best without incurring costs in time and money in excess of the variance itself.	
Medicaid Cluster (93.775, 93.777, 93.778) **Children's Health Insurance Program (93.767)** **State Agency: Department of Human Services** **Federal Agency: U.S. Department of Health and Human Services** ***Reporting***		
FINDING #[1]	**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**	**COMPLETION DATE/ CONTACT PERSON**
2014-057 2013-006 12-47	The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding. DMAHS is working with the Division of Family Development (DFD) to implement the Federal Funding Accountability and Transparency Act (FFATA) reporting requirement for the applicable federal programs administered by DMAHS.	**June 2015** **Rob Durborow – DMAHS** **(609) 588-3832**
Aging Cluster (93.044, 93.045, 93.053) **State Agency: Department of Human Services** **Federal Agency: U.S. Department of Health and Human Services** ***Reporting***		
FINDING #[1]	**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**	**COMPLETION DATE/ CONTACT PERSON**
2014-058 No finding in prior year	The Division of Aging Services (DoAS) concurs with the finding. The Division will determine the required Federal Funding Accountability and Transparency Act (FFATA) data and gather during the annual contracting process. DoAS will then write and implement procedures and update the FFATA Subaward Reporting System.	**June 2015** **Walt Valora – DoAS** **(609) 588-2841** **Bruce Sutton – DoAS** **(609) 588-6789**
Medicaid Cluster (93.775, 93.777, 93.778) **State Agency: Department of Human Services** **Federal Agency: U.S. Department of Health and Human Services** ***Special Tests and Provisions***		
FINDING #[1]	**VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN**	**COMPLETION DATE/ CONTACT PERSON**
2014-059 2013-004	The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding.	**May 2015** **Jospeh Cicatiello – DMAHS**

[1] Current and prior year finding number(s)

	DMAHS has outreached the Molina Provider Enrollment managers to alert them of these findings. All of the mandated Affordable Care Act (ACA) requirements have been incorporated into the provider enrollment procedures. The Molina Managers have been instructed to review procedures with staff to assure all requirements are there before enrolling or re-enrollment a provider.	**609-588-2905**

TANF Cluster (93.558)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-060 2013-008 12-47	The following corrective action plan was implemented in October 2014: The Division of Family Development (DFD) Budget Office accumulated all required information (entity information; DUNS #, etc.) from each County Welfare Agency (CWA) as part of the annual CWA budget process and projected the annual reimbursements for each agency for TANF. This information was provided to the DFD Office of Financial Reporting who submitted this information to the FFATA Subaward Reporting System website in November 2014. The information will be updated periodically during the year on an as-needed basis. This procedure will be performed on an annual basis.	**October, 2014** **Shammi Bhatia – DFD** **(609) 588-2045**

Medicaid Cluster (93.775, 93.777, 93.778)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Allowable Costs/Cost Principles

FINDING #[1]	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2014-061 No finding in prior year	The Division of Developmental Disabilities (DDD) recognizes the need to record, monitor, and certify the amount of employee time and effort being spent on specific federal programs. As such, the Division in conjunction with each of the Developmental Center Chief Executive Officers will develop a uniform reporting methodology among the centers in order to sufficiently address this finding.	**July 1, 2015** **Matt Shaw – DDD** **(609) 777-0712**

[1] Current and prior year finding number(s)