

STATE OF NEW JERSEY

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2018

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

**Independent Auditors' Report on Compliance
for Each Major Federal Program and Report on
Internal Control Over Compliance
Required by the Uniform Guidance**

**STATE OF NEW JERSEY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	3
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	6
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	16
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	18



INDEPENDENT AUDITORS' REPORT

The Governor
State of New Jersey

Report on the 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, 2018, and related notes.

Management's Responsibility for the Schedule of Expenditures of Federal Awards Programs

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; 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 this 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

The Governor
State of New Jersey

Opinion

In our opinion, the schedule 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, 2018, in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 30, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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 Compliance Supplement* that could have a direct and material effect on each of the major Federal programs for the year ended June 30, 2018. The State's major Federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to the 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 major Federal programs and compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the State's major Federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the State's major Federal programs did not comply with requirements regarding CFDA 84.365 – English Language Acquisition (subrecipient monitoring) as described in 2018-001 and CFDA 14.856 – Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation (special reporting – HUD 50058) as described in 2018-013. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the programs.

Qualified Opinion on English Language Acquisition

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 CFDA 84.365 – English Language Acquisition for the year ended June 30, 2018.

Qualified Opinion on Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation

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 CFDA 14.856 – Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation for the year ended June 30, 2018.

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 identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002, 2018-003, 2018-004, 2018-006, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018 and 2018-019. Our opinion on each major 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 corrective action plan. The State’s responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 the Uniform Guidance, 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 2018-001 and 2018-013 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 2018-002, 2018-003, 2018-004, 2018-007, 2018-008, 2018-009, 2018-010, 2018-011, 2018-012, 2018-014, 2018-015, 2018-016, 2018-017, 2018-018 and 2018-019 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 them.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 30, 2019

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture			
Plant and Animal Disease, Pest Control, and Animal Care.	10.025	\$ 842,541	
Specialty Crop Block Grant Program-Farm Bill	10.170	819,260	\$ 347,014
Organic Certification Cost Share Programs	10.171	72,486	
Homeland Security - Agricultural	10.304	40,123	
State Mediation Grants	10.435	11,653	
Crop Insurance Education in Targeted States	10.458	217,937	
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	80,074	
Child Nutrition- Technology Innovation Grant	10.541	10,936	
(SNAP) Recipient Integrity Information Technology Grant	10.546	2,082,174	
<i>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>			
Supplemental Nutrition Assistance Program (non-monetary)	10.561	\$ 1,115,764,499	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	158,957,737	135,297,242
<i>Total Supplemental Nutrition Assistance Program (SNAP) Cluster</i>		1,274,722,236	135,297,242
<i>Child Nutrition Cluster</i>			
School Breakfast Program (SBP)	10.553	96,480,620	96,480,620
National School Lunch Program (NSLP)	10.555	261,624,151	261,624,151
Special Milk Program for Children (SMP)	10.556	260,512	260,512
Summer Food Service Program for Children (SFSFC)	10.559	12,125,551	11,751,732
<i>Total Child Nutrition Cluster</i>		370,490,834	370,117,015
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	133,343,815	28,283,346
Child and Adult Care Food Program	10.558	86,766,519	85,288,705
State Administrative Expenses for Child Nutrition	10.560	6,181,826	
<i>Food Distribution Cluster</i>			
Commodity Supplemental Food Program	10.565	384,676	378,780
Emergency Food Assistance Program (Administrative Costs)	10.568	1,716,444	1,055,229
Emergency Food Assistance Program (Commodities)	10.569	17,078,453	
<i>Total Food Distribution Cluster</i>		19,179,572	1,434,009
WIC Farmers' Market Nutrition Program (FMNP)	10.572	748,656	(5)
Farm to School Grant Program	10.575	41,429	1,669
Senior Farmers' Market Nutrition Program	10.576	832,620	25,496
WIC Grants to States (WGS)	10.578	1,249,293	240,548
Child Nutrition Discretionary Grants Limited Availability	10.579	1,110,427	464,525
Fresh Fruit and Vegetable Program	10.582	4,000,938	3,916,610
Child Nutrition Direct Certification Performance Awards	10.589	77,406	
Cooperative Forestry Assistance	10.664	507,007	276,973
Forest Health Protection	10.680	197,010	
Total U.S. Department of Agriculture		1,903,626,773	625,693,147
U.S. Department of Commerce			
Interjurisdictional Fisheries Act of 1986	11.407	116,299	
Coastal Zone Management Administration Awards	11.419	725,154	105,493
Cooperative Fishery Statistics	11.434	228,975	
Regional Fishery Management Councils	11.441	446,252	
Unallied Management Projects	11.454	1,431,060	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce (continued)			
Unallied Science Program	11.472	\$ 93,350	
Office for Coastal Management	11.473	189,147	
Atlantica Coastal Fisheries Cooperative Management Act.	11.474	230,213	
State And Local Implementation Grant Program	11.549	984,796	\$ 3,085
Measurement And Engineering Research And Standards	11.609	692,855	444,481
Total U.S. Department of Commerce		5,138,100	553,059
U.S. Department of Defense			
National Guard Military Operations & Maintenance (O&M) Projects	12.401	29,704,010	
National Guard Challenge Program	12.404	2,207,804	
Total U.S. Department of Defense		31,911,814	-
U.S. Department of Housing and Urban Development			
Community Development Block Grants/State's Program	14.228	6,586,224	\$ 6,512,040
Emergency Shelter Grants Program	14.231	2,480,842	2,323,570
Supportive Housing Program	14.235	822,936	
Shelter Plus Care	14.238	356,847	
Home Investment Partnerships Program	14.239	4,452,327	2,602,000
Housing Opportunities for Persons With Aids	14.241	1,148,628	
Continuum of Care Program	14.267	2,415,120	
<i>CDBG-Disaster Recovery Grants-Pub. L. No. 113-2 Cluster:</i>			
Hurricane Sandy CDBG Disaster Recovery Grants (CDBG-DR)	14.269	\$ 318,776,742	180,941,799
National Disaster Resilience Competition	14.272	826,120	
Housing Trust Fund	14.275	29,305	-
<i>Total CDBG-Disaster Recovery Grants-Pub. L. No. 113-2 Cluster</i>		319,632,167	180,941,799
Fair Housing Assistance Program - State and Local	14.401	141,569	
<i>Section 8 Project-Based Cluster:</i>			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	4,582,286	
<i>Total Section 8 Project-Based Cluster</i>		4,582,286	
<i>Housing Voucher Cluster:</i>			
Section 8 Housing Choice Vouchers	14.871	247,109,636	(419,325)
Mainstream Vouchers	14.879	503,977	137
<i>Total Housing Voucher Cluster</i>		247,613,613	(419,188)
Family Self-Sufficiency Program	14.896	179,162	
Total U.S. Department of Housing and Urban Development		590,411,721	191,960,221
U.S. Department of the Interior			
Hurricane Disaster Relief Coastal Resiliency Grants	15.153	2,934,256	1,361,651
Marine Minerals Activities - Hurricane Sandy DR4086	15.424	63,557	
<i>Fish and Wildlife Cluster</i>			
Sport Fish Restoration Program	15.605	2,689,579	
Wildlife Restoration and Basic Hunter Education	15.611	5,805,929	
<i>Total Fish and Wildlife Cluster</i>		8,495,508	
Coastal Wetlands Planning, Protection and Restoration Act	15.614	22,122	
Cooperative Endangered Species Conservation Fund	15.615	85,655	
Clean Vessel Act	15.616	426,544	423,268
Sportfishing And Boating Safety Act	15.622	809,081	
State Wildlife Grants	15.634	972,422	35,895

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of the Interior (continued)			
Endangered Species Conserv Recovery Implementation Funds	15.657	\$ 15,000	
National Cooperative Geologic Mapping	15.810	267,435	
National Geological & Geophysical Data Preservation Program	15.814	15,255	
Historic Preservation Fund Grants-In-Aid	15.904	1,212,991	\$ 98,998
Outdoor Recreation-Acquisition Development And Planning	15.916	197,500	
National Maritime Heritage Grants Program	15.925	52,500	50,000
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957	2,730,678	2,444,018
Total U.S. Department of the Interior		18,300,505	4,413,830
U.S. Department of Justice			
Sexual Assault Services Formula Program	16.017	366,487	366,487
Equal Employment Opportunity	16.101	1,491	
Juvenile Accountability Block Grants	16.523	66,408	35,697
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	632,519	579,975
Missing Children's Assistance	16.543	553,984	
National Criminal History Improvement Program	16.554	220,127	
Crime Victim Assistance	16.575	25,125,143	22,540,466
Crime Victim Compensation	16.576	4,451,167	1,751,485
Crime Victim Assistance/Discretionary Grants	16.582	374,034	374,034
Drug Court Discretionary Grant	16.585	125,543	
Violence Against Women Formula Grants	16.588	4,404,360	3,772,012
Grants To Encourage Arrest Policies & Enforcement of Protection Orders	16.590	87,276	54,557
Residential Substance Abuse Treatment for State Prisoners	16.593	214,653	112,083
State Criminal Alien Assistance Program (SCAAP)	16.606	5,816,049	(23,511)
Project Safe Neighborhoods	16.609	79,569	79,569
Public Safety Partnership & Community Policing (Cops Grant)	16.710	246,103	
Special Data Collections And Statistical Studies	16.734	146,459	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	4,587,481	2,827,552
DNA Backlog Reduction Program	16.741	987,189	43,749
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	20,008	4,567
Edward Byrne Memorial Competitive Grant Program	16.751	276,675	
Economic High-Tech And Cyber Crime Prevention	16.752	138,224	
Harold Rogers Prescription Drug Monitoring Program	16.754	4,364	
Second Chance Act Prisoner Reentry Initiative	16.812	444,287	305,154
NICS Act Record Improvement Program	16.813	627,457	
Vision 21	16.826	27,992	
Contractual Agreements From Federal Government	16.CON	10,000	
Total U.S. Department of Justice		50,035,049	32,823,876
U.S. Department of Labor			
Labor Force Statistics	17.002	2,325,084	
Compensation and Working Conditions	17.005	519,336	
<i>Employment Services Cluster</i>			
Employment Service / Wagner-Peyser Funded Activities	17.207	\$ 20,902,245	
Disabled Veterans' Outreach Program (DVOP)	17.801	2,596,967	
Local Veteran's Employment Representative Program	17.804	755,998	
<i>Total Employment Services Cluster</i>		24,255,211	

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Labor (continued)			
Unemployment Insurance - State	17.225	\$ 1,964,536,584	
Unemployment Insurance - Federal	17.225	96,889,820	
Total Unemployment Insurance		\$ 2,061,426,404	
Senior Community Service Employment Program	17.235	2,232,229	
Trade Adjustment Assistance	17.245	4,963,863	
<i>Workforce Investment Act (WIA/WIOA) Cluster</i>			
WIA/WIOA Adult Program	17.258	29,805,517	\$ 24,664,415
WIA/WIOA Youth Activities	17.259	19,684,201	19,684,201
WIA/WIOA Dislocated Worker Formula Grants	17.278	33,773,204	25,064,098
<i>Total Workforce Investment Act (WIA/WIOA) Cluster</i>		83,262,921	69,412,714
WIOA Employment, Training Admin. Pilots, Demos, & Research Projects	17.261	440,169	
Work Opportunity Tax Credit Program	17.271	424,346	
Temporary Labor Certification for Foreign Workers	17.273	548,954	
Workforce Investment Act (WIA) National Emergency Grants	17.277	307,570	256,357
WIOA Workforce Investment Act (WIA) Dislocated Worker National Reserve Demonstration Grants	17.280	985,665	985,665
Apprenticeship USA Grants	17.285	56,096	54,175
Occupational Safety & Health State Program	17.503	1,984,344	
Consultation Agreements	17.504	1,813,167	
Mine Health and Safety Grants	17.600	53,258	
Total U.S. Department of Labor		2,185,598,617	70,708,911
U.S. Department of Transportation			
Airport Improvement Program	20.106	855,023	
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	786,681,475	239,268,446
Recreational Trails Program	20.219	560,128	323,024
<i>Total Highway Planning and Construction Cluster</i>		787,241,603	239,591,470
National Motor Carrier Safety	20.218	5,254,926	
Commercial Driver's License Program Improvement Grant	20.232	859,263	
Safety Data Improvement Program	20.234	74,236	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	194,637	
Rail Fixed Guideway Public Transportation System State Safety	20.528	531,825	
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	4,727,438	2,222,364
National Priority Safety Programs	20.616	8,787,498	5,057,333
<i>Total Highway Safety Cluster</i>		13,514,936	7,279,697
Pipeline Safety Program State Base Grants	20.700	853,190	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	259,709	143,028
Contractual Agreements	20.CON	166,229	
Total U.S. Department of Transportation		809,805,577	247,014,195
U.S. Department of the Treasury			
Contractual Agreements	21.CON	18,500	-
Total Department of the Treasury		18,500	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
Equal Employment Opportunity Commission			
Employment Discrimination - State & Local Fair			
Employment Practices Agency Contracts	30.002	\$ 136,813	
Total Equal Employment Opportunity Commission		136,813	-
National Foundation on the Arts and the Humanities:			
Promotion of the Arts - Partnership Agreements	45.025	942,642	\$ 508,160
Museums for America	45.301	54,363	
Total National Foundation on the Arts and the Humanities		997,005	508,160
Small Business Administration			
State Trade and Export Promotion Pilot Grant Program	59.061	1,048,417	1,048,417
Total Small Business Administration		1,048,417	1,048,417
Department of Veterans Affairs			
Unassigned Catalog Numbers From Federal Government	64.UNA	70	
Veterans Medical Care Benefits	64.009	133,832	133,832
Veterans State Nursing Home Care	64.015	34,372,096	
Burial Expenses Allowance for Veterans	64.101	950,734	
Vocational and Educational Counseling for			
Service members and Veterans	64.125	547,284	
State Cometary Grants	64.203	93,492	
Total U.S. Department of Veterans Affairs		36,097,508	133,832
U.S. Environmental Protection Agency			
Surveys Studies, Investigations Demonstrations			
and Special Purpose Activities Relating to the Clean Air Act	66.034	434,001	
National Clean Diesel Emissions Reduction Program	66.039	1,190,152	1,175,578
Water Quality Management Planning	66.454	27,474	27,474
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 67,416,860	63,921,651
<i>Total Clean Water State Revolving Fund Cluster</i>		67,416,860	63,921,651
Wetland Program Development Grants	66.461	160,712	
<i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	30,396,558	27,276,865
Hurricane Sandy Capitalization Grants For			
Drinking Water State Revolving Funds	66.483	21,117,852	20,610,398
<i>Total Drinking Water State Revolving Fund Cluster</i>		51,514,410	47,887,263
Beach Monitoring and Notification Program Implementation Grants	66.472	20,020	20,020
Performance Partnership Grants	66.605	18,654,534	2,961,482
Environmental Information Exchange Network Grants	66.608	33,134	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	122,797	
TSCA Title IV State Lead Grants Certification			
of Lead-Based Paint Professionals	66.707	258,487	
Pollution Prevention Grants Program	66.708	32,118	16,036
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	124,289	
Underground Storage Tank Prevention, Detect & Compl Prog	66.804	-	
Leaking Underground Storage Tank Trust Fund			
Corrective Action Program	66.805	348,417	
State and Tribal Response Program Grants	66.817	569,994	
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking			
Underground Storage Tank Trust Fund Corrective Action Program	66.819	143,574	
Total U.S. Environmental Protection Agency		141,050,972	116,009,504

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Energy			
State Energy Program	81.041	\$ 150,000	\$ 150,000
ARRA -- State Energy Program	81.041	864,847	17,500
Total State Energy Program		\$ 1,014,847	167,500
Weatherization Assistance for Low -Income Persons	81.042	4,805,233	4,032,430
Administration Costs Consolidations	81.ADM	(743,068)	
Total U.S. Department of Energy		5,077,012	4,199,930
U.S. Department of Education			
Adult Education - Basic Grants to States	84.002	14,655,880	12,611,325
Title I Grants to Local Educational Agencies	84.010	346,044,784	338,511,469
Migrant Education - State Grant Program	84.011	1,879,817	1,789,342
Title I State Agency Program for Neglected and Delinquent Children	84.013	831,244	536,364
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	361,847,985	337,778,017
Special Education - Preschool Grants (IDEA Preschool)	84.173	10,371,201	10,139,515
<i>Total Special Education Cluster</i>		372,219,186	347,917,532
Federal Family Education Loans	84.032	1,923,192,497	
Career and Technical Education -- Basic Grants to States	84.048	23,332,972	20,355,927
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	58,823,678	5,892,307
Migrant Education Coordination Program	84.144	200,908	36,591
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	1,351,548	1,351,548
Special Education - Grants for Infants and Families with Disabilities	84.181	13,060,952	10,514,918
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	114,240	116,311
Education for Homeless Children and Youth	84.196	1,383,618	1,115,868
Charter Schools	84.282	1,753,452	1,753,452
Twenty-First Century Community Learning Centers	84.287	24,592,374	23,558,292
Special Education-State Personnel Development	84.323	207,482	10,731
Advanced Placement Program	84.330	164,395	
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	2,415,963	2,146,928
Teacher Quality Partnership Grants	84.336	(1,138)	
Rural Education	84.358	54,673	52,258
English Language Acquisition State Grants	84.365	20,842,519	19,887,849
Mathematics and Science Partnerships	84.366	1,912,276	1,896,518
Improving Teacher Quality State Grants	84.367	45,143,970	43,633,104
Grants for State Assessments and Related Activities	84.369	8,923,367	
Statewide Longitudinal Data Systems	84.372	200,370	200,085
School Improvement Grants	84.377	8,319,484	7,883,549
College Access Challenge Grant Program	84.378	(400)	(400)
ARRA --- Race to the Top -- Early Learning Challenge	84.412	10,455,436	5,373,003
Preschool Development Grants	84.419	16,346,565	15,841,370
Student Support And Academic Enrichment Program	84.424	5,074,514	4,961,294
Contractual Agreements - National Center Educational Statistics	84.CON	157,894	
Unassigned Catalog Numbers from Federal Government	84.UNA	9,570	
Total U.S. Department of Education		2,903,664,089	867,947,535
U.S. Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	30,752	-
Total U.S. Election Assistance Commission		30,752	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services			
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	\$ 121,349	
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	414,526	
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	598,904	\$ 598,904
<i>Aging Cluster</i>			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	\$ 10,197,692	10,197,692
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	19,422,806	17,616,338
Nutrition Services Incentive Program	93.053	3,638,291	3,638,291
<i>Total Aging Cluster</i>		33,258,789	31,452,321
National Family Caregiver Support - Title III, Part E	93.052	4,181,806	4,024,979
Public Health Emergency Preparedness	93.069	16,441,249	6,715,584
Environmental Public Health & Emergency Response	93.070	1,410,728	23,345
Medicare Enrollment Assistance Program	93.071	384,304	351,429
Birth Defect & Developmental Disability - Prevention/Surveillance	93.073	452,859	231,835
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	337,576	104,503
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	67,369	
Guardianship Assistance	93.090	5,542,472	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1,533,127	1,341,221
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	1,740,520	1,617,011
Food and Drug Administration - Research	93.103	966,247	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	2,675,001	2,376,101
Maternal and Child Health Federal Consolidated Programs	93.110	768,850	603,164
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2,277,555	1,223,161
Emergency Medical Services for Children	93.127	86,850	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	161,844	7,183
Injury Prevention and Control Research and State and Community Based Programs	93.136	2,036,232	1,004,457
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	120,006	
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,066,692	2,051,926
Coordinated Services & Access to Research for Women, Infants, Children, & Youth.	93.153	2,162,825	2,004,017
Grants to States for Loan Repayment Program	93.165	86,990	
Title V State Sexual Risk Avoidance Education Program	93.235	1,703,094	1,408,197
State Capacity Building	93.240	608,108	
Substance abuse and Mental Health services Projects of Regional and National Significance	93.243	4,148,663	3,421,755
Universal New born Hearing Screening	93.251	283,527	131,553
Occupational Safety and Health Program	93.262	143,477	
Immunization Cooperative Agreements (non-monetary)	93.268	80,019,156	
Immunization Cooperative Agreements	93.268	2,515,813	80,000
<i>Total Immunization Cooperative Agreements</i>		82,534,969	80,000
Adult Viral Hepatitis Prevention and Control	93.270	213,245	18,460

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)			
Centers for Disease Control and Prevention, Investigations, and Technical Assistance	93.283	\$ 868,041	\$ 423,916
State Partnership Grant Prog To Improve Minority Health	93.296	227,551	206,314
National State Based Tobacco Control Program	93.305	1,029,955	697,290
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	187,234	21,000
NON PPHF: Epidemiology and Lab Capacity for Infectious Diseases	93.323	3,368,149	1,172,943
State Health Insurance Assistance Program	93.324	967,060	673,000
Behavioral Risk Factor Surveillance System	93.336	194,410	
ACL Independent Living State Grants	93.369	347,078	27,038
ACL Assistive Technology	93.464	446,767	427,057
Pregnancy Assistance Fund Program	93.500	1,357,009	1,333,799
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	482,496	507,016
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	236,116	
The Affordable Care Act: Building Epidemiology, Laboratory Prevention and Public Health Fund (ACA)	93.521	971,490	
Promoting Safe and Stable Families	93.539	4,582,078	1,548,855
Promoting Safe and Stable Families	93.556	6,482,126	6,191,287
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	319,901,203	259,429,528
<i>Total TANF Cluster</i>		<u>319,901,203</u>	<u>259,429,528</u>
Child Support Enforcement	93.563	170,219,487	26,071,391
Refugee and Entrant Assistance-State Administered Programs	93.566	1,825,823	234,829
Low -Income Home Energy Assistance	93.568	116,493,082	21,380,298
Community Services Block Grant	93.569	18,710,838	17,851,167
Community- Based Child Abuse Prevention Grants	93.590	2,182,957	2,139,678
<i>Child Care and Development Block Grant (CCDF) Cluster</i>			
Child Care and Development Block Grant	93.575	132,583,085	55,786,167
Child Care Mandatory & Matching Funds of the Child Care and Development Fund	93.596	59,796,758	57,417,690
<i>Total CCDF Cluster</i>		<u>192,379,843</u>	<u>113,203,857</u>
State Court Improvement Program	93.586	687,483	
Grants to States for Access and Visitation Programs	93.597	190,294	
Chafee Education and Training Vouchers Program (ETV)	93.599	701,014	701,014
Head Start	93.600	172,155	
Adoption and Legal Guardianship Incentive Payments	93.603	631,849	631,849
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,540,919	516,731
Children's Justice Grants to States	93.643	386,985	377,163
Stephanie Tubbs-Jones Child Welfare Services - Program	93.645	5,319,056	
Foster Care - Title IV-E	93.658	94,858,950	203,692
Adoption Assistance	93.659	74,399,607	
Social Services Block Grant	93.667	60,008,731	1,608,107
Child Abuse & Neglect State Grants	93.669	526,301	526,301
Child Abuse & Neglect Discretionary Activities	93.670	630,897	558,065
<i>Family Violence Prevention and Services/</i>			
Domestic Violence Shelter and Supportive Services	93.671	2,992,603	2,988,247
Chafee Foster Care Independent Living	93.674	2,499,397	2,472,229

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (continued)			
Capacity Building Assistance to Strengthen Public Health Immunization			
Infrastructure and Performance	93.733	\$ 705,030	\$ 190,500
State Public Health Approaches for Ensuring Qutline Capacity	93.735	292,650	131,800
Health Care surveillance/Health Statistics - Surveillance PR	93.745	78,913	
Child Lead Poisoning Prevention Surveillance	93.753	285,252	125,606
State Public Health Actions to Prevent and Control Diabetes	93.757	743,867	615,465
Preventive Health and Health Services Block Grant	93.758	4,144,859	3,154,860
Evidence-Based Falls Prevention Programs Financed by PPHF	93.761	128,363	113,898
Children's Health Insurance Program	93.767	495,223,169	4,474,708
<i>Medicaid Cluster</i>			
State Medicaid Fraud Control Units	93.775	\$ 2,645,548	
State Survey and Certification of Health Care Providers and Suppliers			
(Title XVIII) Medicare	93.777	11,451,536	
Medical Assistance Program	93.778	9,351,443,599	169,190,000
<i>Total Medicaid Cluster</i>		<u>9,365,540,683</u>	<u>169,190,000</u>
Opioid Str	93.788	7,400,987	7,175,211
Money Follow s the Person Rebalancing Demonstration	93.791	14,918,639	7,038,143
Domestic Ebola Supplement to ELC for Infectious Diseases	93.815	1,130,636	39,000
Hospital Preparedness Program Ebola			
Preparedness and Response Activities	93.817	517,854	352,466
Preventive Health and Health Services Block Grant	93.829	169,213	
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	12,083,957	11,819,882
National Bioterrorism Hospital Preparedness Program	93.889	5,359,738	3,755,760
Cancer Prevention and Control Programs for State	93.898	2,382,465	1,309,260
Grants to States for Operation of Offices of Rural Health	93.913	125,683	18,242
HIV Care Formula Grants	93.917	30,772,783	26,380,551
HIV Prevention Activities Health Department Based	93.940	13,962,014	8,949,365
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency			
Virus Syndrome (AIDS) Surveillance	93.944	2,664,749	363,937
Assistance Programs for Chronic Disease Prevention and Control	93.945	2,030,068	1,658,184
Cooperative Agreements to Support State-Based Safe			
Motherhood & Infant Health Initiative Programs	93.946	406,178	
Block Grants For Community Mental Health Services	93.958	11,045,544	10,026,141
Block Grants For Prevention & Treatment of Substance Abuse	93.959	46,884,905	39,068,116
Preventative Health Services - Sexually Transmitted Diseases	93.977	2,521,186	231,384
Maternal & Child Health Services Block Grant to the State	93.994	10,341,324	3,676,070
Contractual Agreements	93.CON	3,235,064	429,289
Total U.S. Department of Health and Human Services		<u>11,293,632,561</u>	<u>825,202,605</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
Corporation for National and Community Service			
AmeriCorps	94.006	\$ 2,961,447	\$ 2,804,427
State Commissions	94.003	365,161	
Training and Technical Assistance	94.009	168,648	
<i>Foster Grandparent/Senior Companion Cluster</i>			
Foster Grandparent Program	94.011	\$ 696,139	498,375
Volunteer Generation Fund	94.021	128,160	126,665
<i>Total Foster Grandparent/Senior Companion Cluster</i>		<u>824,299</u>	<u>625,040</u>
Total Corporation for National and Community Service		<u>4,319,554</u>	<u>3,429,467</u>
Social Security Administration			
<i>Disability Insurance/SSI Cluster</i>			
Social Security - Disability Insurance (DI)	96.001	57,672,294	-
<i>Total Disability Insurance/SSI Cluster</i>		<u>57,672,294</u>	
Unassigned Catalog Numbers From Federal Government	96.UNA	3,425	
Total Social Security Administration		<u>57,675,719</u>	<u>-</u>
U.S. Department Homeland Security			
Non-Profit Security Program	97.008	2,971,685	2,971,685
Boating Safety Financial Assistance	97.012	2,266,974	
Services Element (CAP-SSSE)	97.023	196,666	
National Urban Search & Rescue (US&R) Response System	97.025	2,833,040	1,539,274
Flood Mitigation Assistance	97.029	12,043,361	12,043,361
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	141,693,166	127,121,157
Hazard Mitigation Grant	97.039	35,130,875	25,916,206
National Dam Safety Program	97.041	85,601	
Emergency Management Performance Grants	97.042	7,858,299	2,177,551
Cooperating Technical Partners	97.045	607,469	
Pre-Disaster Mitigation	97.047	14,453	14,453
Port Security Grant Program	97.056	1,016,617	
Homeland Security Grant Program	97.067	20,357,092	12,393,900
Homeland Security BioWatch Program	97.091	820,313	
Severe Loss Repetitive Program	97.110	2,077,067	2,077,067
Presidential Residence Protection Security Grant	97.134	281,822	
Total U.S. Department Homeland Security		<u>230,254,499</u>	<u>186,254,654</u>
Total Expenditures of Federal Awards		<u>\$ 20,268,831,556</u>	<u>\$ 3,177,901,343</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 1 BASIS OF PRESENTATION

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, 2018. The State 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, as defined above, for the year ended June 30, 2018.

Federal Family Education Loan Program

The State administers the Federal Family Education Loan Program - Guaranty Program (FFELP). During the fiscal year ended June 30, 2018 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to \$39,686,120 and \$9,807,818, respectively, and are included in the accompanying Schedule. The principal amount outstanding for guaranteed loans as of June 30, 2018 and 2017 were \$1,649,067,220 and \$1,873,698,559, respectively.

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".

Disaster Grants- Public Assistance (Presidentially Declared Disaster) (97.036)

After a presidentially declared disaster, the U.S. 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 2018, FEMA approved approximately \$2,109,252 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

NOTE 2 BASIS OF ACCOUNTING

General

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

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.

**STATE OF NEW JERSEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018**

NOTE 2 BASIS OF ACCOUNTING (CONTINUED)

Nonmonetary Federal Awards

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

Indirect Costs

The State and its various departments did not elect the 10 percent de minimus indirect cost rate as discussed in 2 CPR 200.414. Each department within the State that has a negotiated indirect cost rate with a Federal agency can use such indirect cost rates for any pass through grants to subrecipients.

NOTE 3 MATCHING COSTS

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

NOTE 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.

NOTE 5 CONTINGENCIES

The State'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 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 and recognized by the respective Federal program when amounts can be determined.

The State 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 and recognized by the respective Federal program when amounts can be determined.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Section I – Summary of Auditors’ Results

Schedules

Type of auditors’ report issued by the State of New Jersey State Auditor: **Unmodified**

Internal control over financial reporting issued by the State of New Jersey State Auditor:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported
- Noncompliance material to Schedules noted? _____ Yes X None

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes _____ No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ None reported

Type of auditors’ report issued on compliance for major programs: **See below**

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)? X Yes _____ No

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number(s)	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	Unmodified
Community Development Block Grant Cluster - Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR)	14.269, 14.272, 14.275	Unmodified
Section 8 Housing Vouchers Cluster	14.871, 14.879	Unmodified
Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	14.856	Qualified
Highway Planning and Construction Cluster	20.205, 20.219	Unmodified
Veterans State Nursing Home Care	64.015	Unmodified

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Name of Federal Program or Cluster	CFDA Number(s)	
Drinking Water State Revolving Fund Cluster	66.468, 66.483	Unmodified
Federal Family Education Loans	84.032	Unmodified
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Unmodified
English Language Acquisition State Grants	84.365	Qualified
Aging Cluster	93.044, 93.045, 93.053	Unmodified
Child Support Enforcement	93.563	Unmodified
Foster Care - Title IV-E	93.658	Unmodified
Adoption Assistance	93.659	Unmodified
Social Services Block Grant	93.667	Unmodified
Children's Health Insurance Program	93.767	Unmodified
Medicaid Cluster	93.775, 93.777, 93.778	Unmodified
Money Follows the Person Rebalancing Demonstration	93.791	Unmodified
Block Grants For Prevention and Treatment of Substance Abuse	93.959	Unmodified
Social Security - Disability Insurance	96.001	Unmodified
Homeland Security Grant Program	97.067	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$30,477,488

Auditee qualified as low-risk auditee? Yes X No

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

II. SCHEDULE FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

Reference Number: 2018-001
Prior Year Finding: No
Federal Agency: U.S. Department of Education
State Agency: Department of Education
Federal Program: English Language Acquisition State Grants
CFDA Number: 84.365

Award Number and Year: S365A150030 (2016), S365A160030 (2017), S365A170030
Compliance Requirement: (2018), S365B150030 (2017)
Type of Finding: Sub-Recipient Monitoring
Material Weakness in Internal Control, Material Non-Compliance

Criteria or specific requirement:

Compliance: Per 2 CFR section 200.331 Requirements for pass-through entities: (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:

- (1) Reviewing financial and performance reports required by the pass-through entity.
- (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means.
- (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Per 2 CFR section 200.331 Requirements for pass-through entities. (e) Depending upon the pass-through entity's assessment of risk posed by the subrecipient (as described in paragraph (b) of this section), the following monitoring tools may be useful for the pass-through entity to ensure proper accountability and compliance with program requirements and achievement of performance goals:

- (1) Providing subrecipients with training and technical assistance on program-related matters; and
- (2) Performing on-site reviews of the subrecipient's program operations;
- (3) Arranging for agreed-upon-procedures engagements as described in §200.425 Audit services.

Control: Per 2 CFR section 200.303 Internal Controls: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Condition:

During the audit, we noted that the Department of Education (DOE or the Department) did not perform site visits or document review of subrecipient financial documentation and performance reports as required by Uniform Guidance.

DOE received financial and performance reports from its subrecipients throughout the year; however, documentation to support the review and determined results was not maintained. Furthermore, any follow-up action(s) related to the subrecipient's noncompliance was not documented.

Context:

Documentation to support compliance with subrecipient monitoring was not maintained for 25 out of 25 subrecipients selected for testing.

Questioned costs:

\$19,887,849, represents subrecipient expenditures as of June 30, 2018.

Cause:

DOE was in the process of reviewing and revising its subrecipient monitoring process. As part of the revision process all current monitoring visits and related documentation were temporarily suspended during the audit period.

Effect:

DOE was not compliant with Uniform Guidance and was unable to support the subrecipient's compliance with program requirements or allowability of subrecipient's expenditures.

Statistically valid: Yes

Recommendation:

DOE should document its subrecipient monitoring efforts as well as all follow-up action(s) due to noncompliance. DOE should consult with the grantor liaison for acceptable alternative processes and procedures for documenting subrecipient monitoring activities.

Views of responsible officials:

Accepted. The New Jersey Department of Education (NJDOE) will reinstate the on-site monitoring process for the English Language Acquisition sub-recipients, for the purpose of maintaining effective internal controls over the Federal award. In addition, the NJDOE will improve the process of documenting the review of sub-recipient financial and performance reports, including the determined results and any follow up actions related to any noncompliance.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-002
Prior Year Finding: No
Federal Agency: U.S. Department of Education
State Agency: Higher Education Student Assistance Authority
Federal Program: Federal Family Education Loans
CFDA Number: 84.032

Award Number and Year: None
Compliance Requirement: Special Provisions Tests – Federal Share of Borrower Payments
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: Per Federal letter publication date of 7/1/2000 and DCLID number 00-G-328: Deposit the Federal share of collections into a separate agency-controlled account or an agency-controlled escrow account. This account may only be used to hold collections and disburse the proper shares to the Federal Fund and Operating fund. The agency must provide detailed documentation outlining the structure and operation of the account. After reviewing the documentation submitted by the agency, we may request additional information and/or modifications to the account to ensure that Federal interests are protected. The agency must transfer the Federal share (including investment income earned on the Federal share) into the agency-controlled account or agency-controlled escrow account within 48 hours of receipt of funds and the procedures submitted by the agency must provide that the Federal share of the collections and interest are deposited into the Federal Fund no later than 30 days after receipt. The Federal letter superseded: 34 CFR section 682.419(b)(6) for Federal share of borrower payments.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During our testing we noted that the Authority did not consistently transfer defaulted loans into the Federal fund in accordance with the 30-day program requirement. We noted that the delays ranged from 7 to 27 days over 30.

Context:

We noted 7 of the 25 payments for defaulted loans were not transferred into the Federal Fund within the 30 day timeframe.

Questioned costs:

None. The noncompliance was due to the timing of the transfer into the Federal fund.

Cause:

The noncompliance was due to an oversight.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Effect:

The Authority was not compliant with the program requirements.

Statistically valid: Yes

Recommendation:

We recommend that the Authority review current procedures related to recording and tracking defaulted loan payments to ensure that the payments are transferred into the Federal fund within the required time frame.

Views of responsible officials:

Accepted. The New Jersey Higher Education Student Assistance Authority (HESAA) agrees with the finding that the Federal share of borrower payments had not been transferred to the appropriate Federal fund in accordance with the 30-day program requirement. HESAA notes this noncompliance was largely due to staff oversight and the lack of proper system checkpoints in place to ensure consistent and timely payments. The Authority has already reviewed and updated its internal procedures to provide a greater level of oversight with the monthly submissions including electronic notification on both the 12th and the 28th of each month to responsible staff and their supervisors reminding them to transfer the appropriate funds within 30 days of receipt and supervisor review of monthly transactions.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-003
Prior Year Finding: No
Federal Agency: U.S. Department of Education
State Agency: Department of Labor and Workforce Development
Federal Program: Rehabilitation Services-Vocational Rehabilitation Grants to States
CFDA Number: 84.126

Award Number and Year: H126A170043 (2017), H126A180043 (2018)
Compliance Requirement: Special Tests – Participant Enrollment Plan
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: Per 29 USC 722(b) (3) (F), Timeframe for completing the individualized plan for employment. The individualized plan for employment shall be developed as soon as possible, but not later than a deadline of 90 days after the date of the determination of eligibility described in paragraph (1), unless the designated State unit and the eligible individual agree to an extension of that deadline to a specific date by which the individualized plan for employment shall be completed.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

The grantor requires the Individualized Plan for Employment (IPE) process to be completed within 90 days, unless an extension for additional time is approved. Division of Vocational Rehabilitation Services (DVRS) internal procedures require counselors to maintain and document their communications (outstanding forms, telephone calls and other correspondences) with beneficiaries throughout the IPE process.

During the audit, one beneficiary’s IPE plan was not completed within the 90 day requirement. The IPE was completed 155 days (65 days beyond the required time frame) after the determination of eligibility and the case was not granted an extension. In addition, we noted that the DVRS counselor did not document the reason for the delayed IPE in the Department of Labor and Workforce Development’s (DLWD or the Department) DVRS AWARE system.

Context:

One out of 40 IPE plans was not documented in accordance with the grantor’s or Department’s requirements.

Questioned costs:

None. The beneficiary was eligible to participate in the program. The IPE was not completed by the Department in a timely manner.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Cause:

Due to an oversight, the DVRS counselor did not document their communications with the beneficiary in the DVRS AWARE system or client casefile. Therefore, the reason for the delay was not supported.

Effect:

The Department was not compliant with the grantor's requirements and internal procedures.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures to determine if they are adequate to ensure compliance with grantor's requirements.

Views of responsible officials:

Accepted. After careful review of the Division of Vocational Rehabilitation Services (DVRS) case recording policies, the Division intends to further update its policy manual with more detailed instructions on entering case notes in the AWARE system when an Individualized Plan for Employment (IPE) is delayed past the 90-day requirement. The updates will be contained in Section 6.2 of the case recording standards under IPE development.

In addition, staff will also be notified of the new requirements through an agency administrative memo. The administrative memo will then be discussed by management of each individual Vocational Rehabilitation office for implementation.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-004
Prior Year Finding: No
Federal Agency: Social Security Administration
State Agency: Department of Labor and Workforce Development
Federal Program: Social Security Disability Insurance (SSDI)
CFDA Number: 96.001

Award Number and Year: 04-1704NJD100 (2017), 04-1804NJD100 (2018)

Compliance Requirement: Period of Performance - Program Costs Prior to the Period of Performance
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: CFR section 200.309 - Period of performance.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

2 CFR section 200.343(b), unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During the audit, we noted that the Social Security Division (SSD) charged program costs in the amount of \$423 to the grant prior to the grant's period of performance.

The SSD review process did not detect the error nor did they obtain prior approval from the grantor prior to charging the program costs that were incurred prior to the period of performance start date.

Context:

Three of the 8 program costs selected for testing were charged to the program prior to the grant's period of performance.

Questioned costs:

None, All costs were allowable to program.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Cause:

The accounting staff incorrectly identified and charged program costs to the wrong grant. The Department's review process did not detect the error and take timely corrective action.

Effect:

The Department was not compliant with the grant's period of performance which could result in the grantor's disallowance of the costs.

Recommendation:

We recommend that the Department review current procedures and update as needed to ensure compliance is met.

Statistically valid: Yes

Views of responsible officials:

Accepted. The New Jersey Department of Labor and Workforce Development (DLWD) has a policy in place for processing travel reimbursements that are performed by the Department's Accounts Payable unit. The policy is being reviewed by the Department to ensure that procedures are adequate and appropriately followed. Additionally, DLWD has received approval from the Social Security Administration to remediate the findings by charging and reimbursing the proper fiscal year awards. These correcting transactions were completed during February 2019.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-005
Prior Year Finding: 2015-045 (Other Requirements – ITGC)
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Children and Families
Federal Program: Foster Care – Title IV-E
Adoption Assistance
CFDA Number: 93.658, 93.659
Award Number and Year: All grants awards
All grant years
**Compliance Requirement-
Other:** Information Technology General Controls
Type of Finding Significant Deficiency in Internal Control

Criteria or specific requirement:

Control: 2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Subpart D, section 200.303 requires that non-Federal entities receiving Federal awards establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. As part of the 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 New Jersey Statewide Protective, Investigation, Reporting and Information Tool (NJSPIRIT) application management is provided by the Department of Children and Families (DCF) staff. During the audit, we noted that shared accounts were used to administer the production environments of the Oracle database, AIX operating system, and web application.

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 of the NJSPIRIT application. The EBSU and DCF staff develop and maintain the general information technology (IT) control environment, and are responsible for the overall effectiveness of the application controls directly associated with NJSPIRIT.

Context: None

Questioned costs: None

Cause:

There are multiple personnel with responsibility to administer the Oracle database, AIX operating system, and web application and these activities are performed through shared accounts.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Effect:

A lack of individual accounts for the administration of the Oracle database, AIX operating system and web application, as well as ineffective monitoring of associate activities, could result in the loss of accountability, inaccurate data being stored and inappropriate use of information.

Statistically valid: Yes

Recommendation:

Subsequent to the audit period, DCF has implemented corrective actions to reduce the risk related to this finding, including:

- The creation of individual administrative accounts for the web application and the AIX operating system; and
- The implementation of monitoring procedures for the required and system delivered administrative account for the Oracle database.

DCF should continue to evaluate account usage and where possible assign accounts specific to each individual. Additionally, continued monitoring of administrative activity should be performed to validate for appropriateness.

Views of responsible officials:

Accepted. The New Jersey Department of Children and Families (DCF) mitigated the risk related to this finding by completing the following:

- The creation of individual administrative accounts for the web application and the AIX operating system; and
- The implementation of monitoring procedures for the required and system delivered administrative account for the Oracle database.

DCF will continue to evaluate account usage and require the Office of Information Technology (OIT) and the Department of Human Services (DHS) to monitor administrative activity to validate for appropriateness.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-006
Prior Year Finding: No
Federal Agency: U.S. Department of Education
State Agency: Department of Labor and Workforce Development
Federal Program: Rehabilitation Services-Vocational Rehabilitation Grants to States
CFDA Number: 84.126

Award Number and Year: H126A170043 (2017), H126A180043 (2018)
Compliance Requirement: Earmarking – Pre-employment Transition Services
Type of Finding: Noncompliance

Criteria or specific requirement:

Compliance: Per 29 U.S Code § 730 (d) Funds for pre-employment transition services:

(1) From any State allotment under subsection (a) for a fiscal year, the State shall reserve not less than 15% of the allotted funds for the provision of pre-employment transition services. (2) Such reserved funds shall not be used to pay for the administrative costs of providing pre-employment transition services.

Condition:

We noted that the Department did not meet the 15% earmark threshold for pre-employment transition services for Division of Vocational Rehabilitation Services (DVRS). The Department was required to earmark and expend \$7,296,846 for pre-employment transition services; however, for FFY18, \$1,008,919 was expended which was less than the required amount.

DVRS tracked pre-employment transition costs as budget line Pre-ETS and was aware of the noncompliance which was communicated to the grantor via the program financial reporting process.

Context:

Not applicable

Questioned costs:

Undetermined, the grantor is aware of the noncompliance and has not issued a determination regarding questioned costs.

Cause:

While the Department tracked and monitored costs for pre-employment transition costs, allowable costs eligible for the earmarked services were not sufficient to meet the required threshold.

Effect:

DVRS was not in compliance with the earmarking requirement for pre-employment transition services.

Recommendation:

We recommend that the Department continue to communicate their efforts to meet to required threshold to the grantor. The Department should review current procedures to ensure that all allowable costs are accurately reported and counted towards the earmark requirement, and determine if enhancements to current procedures are needed to increase participation and allowable costs.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Statistically valid: Yes

Views of responsible officials:

Accepted. DLWD has a policy and mechanism in place to capture activity designated as Pre-Employment Training Services (Pre-ETS) from the New Jersey Comprehensive Financial System (the State's accounting system). Also, the policy does track through the State's Electronic Cost Accounting and Timesheet System (eCATS) those individuals who are charging their time to Pre-ETS, and this is applicable only for program activity as administrative costs are not allowed to be charged to Pre-ETS. In addition, the Finance and Accounting Unit maintain a monthly financial report that tracks the Pre-ETS costs being charged to the Division of Vocational Rehabilitation Services (DVRS) grants. The DVRS had \$4 million budgeted for Pre-ETS in FY 2018.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-007
Prior Year Finding: No
Federal Agency: U.S. Department of Education
State Agency: Department of Labor and Workforce Development
Federal Program: Rehabilitation Services-Vocational Rehabilitation Grants to States
CFDA Number: 84.126

Award Number and Year: H126A170043 (2017), H126A180043 (2018)
Compliance Requirement: Suspension & Debarment
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: Per 2 CFR 180: Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include 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 pass-through entity (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/>, (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).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted that the Division of Vocational Rehabilitation Services (DVRS) did not consistently follow the State's procurement policy related to verification of contractors/sub awardee's suspension and debarment status prior to contracting with the organization. DVRS failed to maintain documentation to support contractors/sub awardee's suspension and debarment status.

Context:

DVRS did not document the suspension and debarment status for 3 of the 5 vendor contracts selected for testing.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Questioned costs:

None. The three contractors were not suspended or debarred from participating in a Federal program.

Cause:

DVRS management was not aware of the State's procurement policy that required them to verify the suspension and debarment status of non-Federal entities when entering into a covered transaction.

Effect:

DVRS was not in compliance with the Uniform Guidance's procurement requirement.

Statistically valid: Yes

Recommendation:

We recommend that DVRS review and enhance current procurement procedures as deemed necessary, to ensure that the adequate documentation is maintained to support a contractors/sub awardee's suspension and debarment status.

Views of responsible officials:

Accepted. As this issue also affects other areas within DLWD, the Department will develop a procedure by which the State debarment list and the Federal Excluded Parties List System maintained by the General Services Administration will be reviewed and documented prior to a contract or grant being awarded.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-008
Prior Year Finding: Yes
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778

Award Number and Year: 1705-NJ5MAP (2017), 1705-NJ5ADM (2017), 1705-NJINCT (2017), 1705-NJIMPL (2017), 1805-NJ5MAP (2018), 1805-NJ5ADM (2018), 1805-NJINCT (2018), 1805-NJIMPL (2018)

Compliance Requirement: Special Tests – Provider Eligibility and Provider Health and Safety Standards
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Provider Eligibility: In order to receive Medicaid payments, providers of medical services furnishing services 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 (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106).

Providers Health and Safety Standards: Providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/MR (42 CFR pat 442). The standards may be modified in the State plan.

Condition:

The Department contracts a 3rd party provider to manage provider eligibility. The 3rd party provider is responsible for verifying the provider’s license status and that the provider meets health and safety standards required by the State.

We selected 60 providers that received Medicaid payments during FY 2018. During our testing of the provider files, maintained by the 3rd party provider, we noted that the provider files did not consistently support the provider’s eligibility and compliance with the State’s health and safety standards in accordance with Federal and state requirements.

As a result of our review the following was noted:

1. The active license status for 4 providers was not available for review.
2. The provider agreement for 2 providers was not available for review.
3. The provider checklist for 15 providers was not available for review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context:

Four of the 60 provider licenses selected for testing were either not adequately documented or expired prior to FY 18.

Two of the 60 provider files selected for testing did not contain a signed provider agreement between the State and the provider.

Fifteen of the 60 provider files selected for testing did not contain the provider agreement checklist.

Questioned costs:

Undetermined, due to the lack of information, we are unable to determine if the providers were eligible or ineligible to participate in the program.

Cause:

While the 3rd party provider implemented procedures, and processes to enhance the supporting documentation related to provider's license, contractual requirements (provider agreements) and attestation for health and safety standards, they are not fully compliant as of June 30, 2018.

Effect:

Medicaid claims may be paid to ineligible providers which may result in unallowed program costs. The Department was not compliant with the State's plan for Medicaid.

Statistically valid: Yes

Recommendation:

We recommend that the Department continue to review the 3rd party provider process and procedures for determining and documenting provider's eligibility and compliance with related State and Federal requirements. The Department should continue to periodically review provider files to determine if a provider checklist is present, and if not, should be completed.

Views of responsible officials:

Accepted. In reference to the finding of no signed provider agreement for two providers, it was determined that the two providers had no enrollment activity during the audit period that would have necessitated new provider agreements. Therefore, only their initial agreement existed on file. The auditors were informed that the State does not require an annual provider agreement to be completed unless the provider is a new enrollment or re-enrollment, had a change in ownership or is adding providers to their group or clinic. For those instances found of no provider agreement, it is due to no enrollment-related activity occurring during that particular review period.

Licenses are requested from providers in an automated manner when the license is due to expire within 45 days of the expiration date. Letters and phone calls are made as a routine practice to collect the needed documentation. In most cases, the provider responds and sends in the needed documentation; however, for the findings in this audit, the providers did not comply with requests for needed licenses. In the current Medicaid Management Information System (MMIS) there is no editing in place that prevents claims from being paid to providers with expired licenses. This has been discussed as a feature of the Replacement Medicaid Management Information System (RMMIS) that will suspend a provider until requested credentials are received. Recognizing the limitations of the existing license outreach efforts, the State intends to revisit this compliance issue to develop a plan that enhances compliance and minimizes the impact on beneficiary access to Medicaid-covered services.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

The Risk-based/Screen Checklists that were determined to be missing or insufficient for fifteen providers, also involved a time period in which no enrollment activity took place. Therefore, the checklist was not required. We still perform the monthly monitoring of excluded providers in an automated monthly process, and we ensure that State and Federally-excluded providers are not listed as active providers in the MMIS. The Checklists are now fully functional and required for all new enrollments, re-enrollments and changes in ownership.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-009
Prior Year Finding: No
Federal Agency: All Federal Agencies
State Agency: N/A
Federal Program: All Federal Programs
CFDA Number: All CFDA's

Award Number and Year: N/A
Compliance Requirement: Report Submission - Data Collection Submission
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Report Submission: Per 2 CFR section 200.303(a) General. (1) The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. If the due date falls on a Saturday, Sunday, or Federal holiday, the reporting package is due the next business day.

Condition:

The State of New Jersey's (the State) single audit reporting package was not submitted to the Federal clearinghouse by the regulatory due date. The reporting package is required to be submitted the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The State's Comprehensive Annual Financial Report (CAFR) issuance was delayed due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The delay resulted in the CAFR not being available for inclusion in the reporting package and submission to the Federal clearinghouse by the State's April 1, 2019 due date.

Context:

Not applicable

Questioned costs:

None noted, the late submission was due to the CAFR not being available for inclusion in the reporting package.

Cause:

Due to the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the state's CAFR was not available to be included in the reporting package and submitted to the Federal clearinghouse by the regulatory due date.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Effect:

The State is not complaint with the report submission requirement under Uniform Guidance.

Statistically valid: Yes

Recommendation:

We recommend that the State review and enhance current procedures as deemed necessary to ensure that regulated due dates are met.

Views of responsible officials:

Accepted. The State of New Jersey's FY 2018 Single Audit Reporting Package submission to the Federal Audit Clearinghouse (FAC) by this year's April 1, 2019 deadline was past due. This was a direct result of delays encountered with the State's implementation of GASB 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*), which impacted the State's issuance of its Comprehensive Annual Financial Report (CAFR) for the fiscal year period ended June 30, 2018.

On March 15, 2019, the State contacted its Federal Cognizant Audit Oversight official from USDHHS-OIG to alert their office of the State's impending delay for FY 2018 and to advise that the submission to the FAC would be completed no later than April 30, 2019.

Please note that the delay for FY 2018 was directly related to the implementation of the GASB 75 pronouncement and was not related to current or prospective Federal funding received or being pursued by the State of New Jersey.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-010
Prior Year Finding: No
Federal Agency: U.S. Department of Health and Human Services
State Agency: Department of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778

Award Number and Year: 1705-NJ5MAP (2017), 1705-NJ5ADM (2017), 1705-NJINCT (2017), 1705-NJIMPL (2017), 1805-NJ5MAP (2018), 1805-NJ5ADM (2018), 1805-NJINCT (2018), 1805-NJIMPL (2018)

Compliance Requirement: Allowable Costs/Cost Principles
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: Per 2 CFR section 200.431(c) The cost of fringe benefits in the form of employer contributions or expenses for social security; employee life, health, unemployment, and worker's compensation insurance (except as indicated in §200.447 Insurance and indemnification); pension plan costs (see paragraph (i) of this section); and other similar benefits are allowable, provided such benefits are granted under established written policies. Such benefits, must be allocated to Federal awards and all other activities in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable to such Federal awards and other activities, and charged as direct or indirect costs in accordance with the non-Federal entity's accounting practices.

(d) Fringe benefits may be assigned to cost objectives by identifying specific benefits to specific individual employees or by allocating on the basis of entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees, unless the non-Federal entity demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.

Per 2 CFR 200.403 Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

(a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

(b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.

(c) Be consistent with policies and procedures that apply uniformly to both Federally-financed and other activities of the non-Federal entity.

(d) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

(e) Be determined in accordance with generally accepted accounting principles (GAAP), except, for state and local governments and Indian tribes only, as otherwise provided for in this part.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

(f) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federally-financed program in either the current or a prior period. See also §200.306 Cost sharing or matching paragraph (b). (g) Be adequately documented.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During our testing of nonpayroll transactions we noted one adjustment that was not supported by adequate documentation. The adjustment was to move Federal indirect cost recovery funds to Treasury for miscellaneous services. While the Department provided documentation to support approval for the adjustment, the specifics and/or detail supporting the adjustment was not available for review.

Context:

The detail supporting the adjustment was not provided for 1 of the 60 nonpayroll disbursements selected for testing.

Questioned costs:

\$1,211,309.90, reflects the adjustment that was not adequately supported.

Cause:

Due to changes in personnel, the Department was unable to locate the supporting documentation. While documentation to support approval for the adjustment was readily available, the Department did not maintain the related detail with the approval.

Effect:

The Department was unable to provide assurance that the adjusted cost was allowable in accordance with the program requirements.

Statistically valid: Yes

Recommendation:

We recommend that the Department review their current retention policy to ensure that all program related documentation is retained and readily available in accordance with the Single Audit Act and the State’s retention policy.

Views of responsible officials:

Accepted. In reference to the audit finding regarding one adjustment totaling \$1,211,309.90, DHS was able to provide documentation to support approval for the adjustment; however, the detailed documentation was not available. The adjustment was reimbursement to the Department of the Treasury for central State costs associated with budget and accounting systems.

DHS will review the expenses with the Department of the Treasury and will ensure that appropriate documentation is available to support such adjustments going forward.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-011
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Lower Income Housing Assistance Program – Section 8
Moderate Rehabilitation
CFDA Number: 14.856

Award Number and Year: NJ912 (2018)
Compliance Requirement: Eligibility Testing
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: The PHA or owner, as applicable, must: a. Verify the eligibility of applicants by (a) obtaining signed applications that contain the information needed to determine eligibility (including designation as elderly, disabled, or homeless, if applicable), income, rent, and order of selection; (b) conducting verifications of family income and other pertinent information (such as assets, full time student and immigration status, and unusual medical expenses) through third parties; (c) documenting inspections and tenant certifications, as appropriate; and, (d) determining that tenant income did not exceed the maximum limit set by HUD for the PHA’s jurisdiction, as shown in HUD’s published notice transmitting the Limits for Low-Income and Very Low-Income Families Under the Housing Act of 1937. For the Mod Rehab SRO program, eligible individuals must be homeless upon entry into the program. (24 CFR sections 880.603, 881.601, 882.514, 882.808, 833.701, 884.214, 886.119, and 886.318) b. Determine the total tenant rent payment in accordance with 24 CFR section 5.613. c. Select participants from the waiting list in accordance with the admission policies in its administrative plan and maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family’s place on the waiting list. d. Reexamine family income and composition at least once every 12 months and adjust the total rent payment and housing assistance payment, as necessary (24 CFR sections 5.617, 880.603, 881.601, 882.515, 884.218, 886.124, and 886.324).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted that the supporting documentation over tenant eligibility was not adequately maintained. Third party verification related to program eligibility was not provided for FY 2018 for one tenant participating in the program. The Department is required to document third-party verifications obtained and used to support the tenant’s eligibility. The documentation provided did not support the eligibility determination for FY 2018.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context:

One of the 40 tenant files did not contain third-party verifications to support the eligibility determination for the audit period.

Questioned costs:

Undetermined, due to the lack of information, we are unable to determine:

1. If third party documentation was provided and adequately supported the eligibility determination for FY 18.

Cause:

The lack of documentation to support FY 2018 tenant eligibility is due to an error and was not detected via supervisory review.

Effect:

The Department's tenant files do not consistently support the tenant eligibility in the Moderate Rehabilitation program.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure that proper documentation is obtained and maintained to support its eligibility determination.

Views of responsible officials:

Accepted. As recommended, the New Jersey Department of Community Affairs (DCA) will review current procedures to determine if the procedures are adequate to ensure that proper documentation is obtained and maintained to support its eligibility determination. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-012
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Lower Income Housing Assistance Program – Section 8
Moderate Rehabilitation
CFDA Number: 14.856

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Test – Wait List Testing
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: The PHA or owner, as applicable, must: c. Select participants from the waiting list in accordance with the admission policies in its administrative plan and maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family's place on the waiting list.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During the audit of participants admitted into the program via the waitlist, we noted that the Department did not consistently document tenant's transition from the waitlist into the program. Documentation to support the transfer of two tenants from the waitlist into the program was not provided. The Department is required to maintain such documentation to support the tenant's transference from the waitlist into the program was in accordance with the program's requirements.

Context:

Two of the 13 tenant files selected for testing did not maintain documentation to support the date in which the tenant was transferred from the waitlist to the program.

Questioned costs:

Undetermined based on the lack of information, we are unable to determine if the tenants admitted were based on qualifying for special admission or if the actual date of transfer was correct.

Cause:

The lack of documentation in the tenant files is due to error and supervisory review not detecting errors in a timely manner.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Effect:

The Department is unable to adequately support tenants admitted into the program via the waitlist.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure that proper documentation is obtained and maintained to support a tenant's admittance into the program via the waitlist.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if the procedures are adequate to ensure that proper documentation is obtained and maintained to support the tenant's admittance into the program via the waitlist. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-013
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Lower Income Housing Assistance Program – Section 8
Moderate Rehabilitation
CFDA Number: 14.856

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Reporting – HUD-50058
Type of Finding: Material Weakness in Internal Control, Material Non-compliance

Criteria or specific requirement:

Compliance: The PHA is required to submit this form electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During the testing of critical data fields on the HUD-50058 form, we noted that the HAP payment reported on the form did not agree with the documentation in the tenant's file.

1. One tenant file documented and identified the HAP payment as \$456 but was reported on the HUD-50058 form as \$465; a \$9 difference per month.
2. One tenant file selected for testing was not provided by the Department. CLA was unable to perform the test.

Context:

1. One of the 40 tenant HAP payments reported on the HUD-50058 form did not agree to the documentation in the tenant file.
2. One of the 40 tenant files selected for testing was not provided.

Questioned costs:

1. Questioned costs in the amount of \$90 was determined. The costs reflect the \$9 difference between the amount the HAP payment and the HUD-50058 for 10 months.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

2. Questioned costs in the amount of \$470 was determined. The costs reflects the \$470 HAP issued after the effective date of June 1, 2018.

Cause:

1. The error was due to a typo that was not identified during the review process.
2. DCA was unable to locate the tenant file.

Effect:

The data reported to the grantor was not supported by the Department's records.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure the information reported to the grantor is accurate and properly supported.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if they are adequate to ensure that information reported to the grantor on HUD 50058 forms is accurate and properly supported by documentation in the tenant file. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-014
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Lower Income Housing Assistance Program – Section 8
Moderate Rehabilitation
CFDA Number: 14.856

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Test -Tenant Utility Allowance
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: The PHA or owner must (a) establish or ensure tenant utility allowances based on utility consumption and rate data for various sized units, structure types, and fuel types, (b) make an annual review of tenant utility allowances to determine their reasonableness, and (c) adjust the allowances, when appropriate (24 CFR sections 5.603, 880.610, 881.601, 882.510, 882.808(k), 883.701, 884.220, 886.126, and 886.326)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted two tenant files did not contain documentation to support the utility allowance for FY 2018. The Department is required to document the utility used to determine the HAP payment. The review of the allowance is required for initial and re-examination.

Context:

Documentation supporting the tenant utility allowance payments were not provided for 2 of the 8 tenant files selected for testing.

Questioned costs:

\$1,162, reflects the utility allowance payments made on behalf of tenants for the FY 2018 audit period.

Cause:

The lack of documentation to support FY 2018 tenant utility allowance was due to an error that was not detected by supervisory review in a timely manner.

Effect:

The Department is unable to support the review of the tenant’s utility allowance payments.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure that proper documentation is obtained and maintained to support its review of tenant utility allowances.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if the procedures are adequate to ensure that proper documentation is obtained and maintained to support its review of tenant utility allowances. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-015
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Section 8 Housing Choice Vouchers
CFDA Number: 14.871,14.879

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Test- Quality Control Inspection Requirement
Type of Finding: Significant Deficiency in Internal Control

Criteria or specific requirement:

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted that the same housing inspector conducted the Annual HQS and the QC re-inspection. The State’s HVCP plan requires the annual and re-inspection to be performed by different inspectors as to provide and demonstrate objectivity over quality control inspections.

Context:

Two of the 15 HQS annual (and subsequent re-inspection) selected for testing were completed by the same housing inspector.

Questioned costs:

Not Applicable. No unallowed costs were identified.

Cause:

The assigning of the same housing inspector to perform the annual and re-inspection was due to an error which was not detected by the Department in a timely manner.

Effect:

The Department is not consistently following current procedures, which may allow the opportunity for noncompliance.

Statistically valid: Yes

Recommendation:

We recommend the Department reiterate current procedures for assigning housing inspectors to ensure that the procedures are communicated to all staff and that supervisory review can identify inconsistencies or errors in a timely manner.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Views of responsible officials:

Accepted. As recommended, DCA will reiterate current procedures for assigning housing inspectors to ensure that the procedures are communicated to all staff and that supervisory review can identify inconsistencies in a timely manner. DCA will issue a memo emphasizing these procedures to all field office staff.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-016
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Section 8 Housing Choice Vouchers
CFDA Number: 14.871,14.879

Award Number and Year: NJ912
Compliance Requirement: Special Test- Failed Housing Inspection
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: For units under HAP contract that fail to meet HQS, the PHA must require the owner to correct any life threatening HQS deficiencies within 24 hours after the inspections and all other HQS deficiencies within 30 calendar days or within a specified PHA-approved extension. If the owner does not correct the cited HQS deficiencies within the specified correction period, the PHA must stop (abate) HAPs beginning no later than the first of the month following the specified correction period or must terminate the HAP contract. The owner is not responsible for a breach of HQS as a result of the family's failure to pay for utilities for which the family is responsible under the lease or for tenant damage. For family-caused defects, if the family does not correct the cited HQS deficiencies within the specified correction period, the PHA must take prompt and vigorous action to enforce the family obligations (24 CFR sections 982.158(d) and 982.404).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted that the Department incorrectly reported the results of a housing quality inspection as failed. CLA was provided a list of failed inspections from the Department and selected a sample for testing. We noted that the documentation in the tenant file did not support a failed inspection; as such, a notice of failed inspection informing the landlord and tenant of the area(s) to be corrected along with corrective action time frame was not in the tenant's file. Upon inquiry regarding the lack of documentation, we were informed that the tenant's failed inspection result was incorrectly reported, the review process did not detect the error and the tenant's case number would be removed from the failed inspection list.

Context:

One of the 40 Failed HQS inspections selected for testing was incorrectly identified as failed.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Questioned costs:

Not Applicable. Finding was due to an error and no remedy was required by the Department.

Cause:

The incorrect reporting was due to an error and was not detected during the supervisory review.

Effect:

The tenant file incorrectly reported a failed inspection which could result in remedies being levied against the tenant and/or landlord. The Department's statistics related to failed tenant inspections may be incorrect; therefore, incorrectly reported to the grantor.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures to determine if the review procedures are adequate to detect incorrect results of tenant inspections in a timely manner.

Views of responsible officials:

Accepted. As recommended, DCA will examine current procedures to determine if the review procedures are adequate to detect incorrect results recorded for tenant housing quality inspections in a timely manner. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-017
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Section 8 Housing Choice Vouchers
CFDA Number: 14.871,14.879

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Test - HAP Register
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: The PHA must pay a monthly HAP on behalf of the family that corresponds with the amount on line 12u of the HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register. (24 CFR section 982.158 and 24 CFR part 982, subpart K)

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During the testing of the HAP payments, we noted that the HAP payment did not agree with the documentation in the tenant's file for the following:

1. One tenant file documented the HAP payment as \$1,104, effective June 1, 2017. The March 2018 HAP payment and related 50058 reported the tenant's HAP payment as \$1,159. The tenant file did not support the reason for the HAP payment increase.
2. One tenant file documented the HAP payment as \$1,052; however, we noted that the actual HAP payment for January 2018 was \$297. Per our review of the tenant's detail transaction history, the prior month's HAP payment was \$1,052. The Department stated that the difference in the HAP payment was due to payments made on behalf of the tenant. We were not provided documentation to support the Department's reason for the change in the HAP payment.

Context:

Two of the 40 HAP payments selected for testing did agree to the actual HAP payment issued.

Questioned costs:

Undetermined, due to the lack of documentation supporting the change in the HAP payment, we are unable to determine if the change was allowable or unallowable.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Cause:

DCA did not maintain documentation to support the changes to the HAP payment.

Effect:

The HAP payments were not supported by the documentation in the tenant file.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure that the HAP payment amount and subsequent changes are supported by adequate documentation.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if they are adequate to ensure that recorded HAP payment amounts and any subsequent changes to them are supported by adequate documentation in tenant files. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-018
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Section 8 Housing Choice Vouchers
CFDA Number: 14.871,14.879

Award Number and Year: NJ912 (2018)
Compliance Requirement: Eligibility Testing
Type of Finding: Significant Deficiency in Internal Control, Noncompliance

Criteria or specific requirement:

Compliance: The head of the household signs (a) one or more release forms to allow the PHA to obtain information from third parties; (b) a Federally prescribed general release form for employment information; and (c) a privacy notice. Under some circumstances, other members of the family are required to sign these forms (24 CFR sections 5.212 and 5.230). The PHA must do the following: a. as a condition of admission or continued occupancy, require the tenant and other family members to provide necessary information, documentation, and releases for the PHA to verify income eligibility (24 CFR sections 5.230, 5.609, and 982.516). b. For both family income examinations and reexaminations, obtain and document in the family file third-party verification of (1) reported family annual income; (2) the value of assets; (3) expenses related to deductions from annual income; and (4) other factors that affect the determination of adjusted income or income-based rent (24 CFR section 982.516). c. Determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification in accordance with 24 CFR part 5 subpart F (24 CFR section 5.601 *et seq.*) (24 CFR sections 982.201, 982.515, and 982.516).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

We noted that the supporting documentation over tenant eligibility was not adequately maintained as follows:

1. One tenant was identified as participating in both the HCVP and Moderate Rehabilitation programs during FY 2018. The tenant file did not identify the tenant as transferring between the programs during this time period.
2. Third party verification related to program eligibility was not provided for FY 2018 for three tenants participating in the program. The Department is required to document third-party verifications obtained and used to support the tenant's eligibility. The tenant file documentation provided did not support the eligibility determination for this time period.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context:

One of the 40 tenants selected for testing was incorrectly identified as participating in the HCVP and Moderate Rehabilitation programs at the same time.

Three of the 40 tenant files selected for testing did not contain third-party verifications to support the eligibility determination for the audit period.

Questioned costs:

Undetermined, due to the lack of information, we are unable to determine:

1. If the tenant participated in one program and was transferred to another program during FY 2018, and participation in both programs was valid.
2. If third party documentation was provided and adequately supported the eligibility determination for FY 2018.

Cause:

The lack of documentation to support FY 2018 tenant eligibility is due to an error which was not detected by supervisory review in a timely manner.

Effect:

The Department's tenant files do not consistently support the tenant eligibility in the HCVP program.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure that proper documentation is obtained and maintained to support its eligibility determination and changes to the tenant's eligibility status.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if the procedures are adequate to ensure that proper documentation is obtained and maintained to support its eligibility determination and changes to the tenant's eligibility status. DCA will adopt appropriate actions as indicated by the review.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Reference Number: 2018-019
Prior Year Finding: No
Federal Agency: US Department of Housing and Urban Development
State Agency: Department of Community Affairs
Federal Program: Section 8 Housing Choice Vouchers
CFDA Number: 14.871,14.879

Award Number and Year: NJ912 (2018)
Compliance Requirement: Special Test - Waitlist Testing
Type of Finding: Significant Deficiency in Internal Control, Non compliance

Criteria or specific requirement:

Compliance: The PHA must have written policies in its HCVP administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list. Except as provided in 24 CFR section 982.203 (Special admission (non waiting list)), all families admitted to the program must be selected from the waiting list. "Selection" from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24 CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition:

During the audit of the participants admitted into the program via the waitlist, we noted that the Department did not consistently document the tenant's transition from the waitlist into the program.

1. One tenant's file lacked adequate documentation to support the tenant's qualification of special admission. The tenant was admitted into the program due to a death in the household. The State's HCVP plan allows the Department to use its discretion for such an event and requires documentation to support the reason for the applicant's selection and admittance into the program.
2. Documentation to support one tenant's transfer from the waitlist to the program was not provided. The Department is required to maintain documentation to support the date in which a tenant is transferred from the waitlist to the program. This date is used to document that the tenant was transferred from the waitlist into the program in accordance with the program's requirements.
3. The Department incorrectly identified tenants as being selected from the waitlist and admitted in to the program during FY 2018. Three tenants were documented as being admitted into the program in 2018; upon review of the tenant's file we noted that the tenants were admitted into the program in 2016.

**STATE OF NEW JERSEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

Context:

One of the 40 tenant files selected for testing did not support the tenant's entrance into the program due to qualifying for special admission.

One of the 40 tenant files selected for testing did not maintain documentation to support the date in which the tenant was transferred from the waitlist to the program.

Three of the 40 tenants were incorrectly included as new transfers from the waitlist into the program for FY 18, but were admitted into the program in 2016.

Questioned costs:

Undetermined based on the lack of information, we are unable to determine if the tenants were admitted based on qualifying for special admission or if the actual date of transfer was correct.

Cause:

The lack of documentation in the tenant files is due to error and supervisory review not detecting errors in a timely manner.

Effect:

The Department is unable to adequately support tenants admitted into the program via the waitlist.

Statistically valid: Yes

Recommendation:

We recommend that the Department review current procedures and make necessary changes to ensure to ensure that proper documentation is obtained and maintained to support tenant's admittance into the program via the waitlist.

Views of responsible officials:

Accepted. As recommended, DCA will review current procedures to determine if the procedures are adequate to ensure that proper documentation is obtained and maintained to support tenant's admittance into the program via the wait list. DCA will adopt appropriate actions as indicated by the review.