



**STATE OF NEW JERSEY**

Single Audit Report

Year ended June 30, 2015

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

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

**STATE OF NEW JERSEY**

Year ended June 30, 2015

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

The Governor  
State of New Jersey:

### **Report on Schedule of Expenditures of Federal Awards**

We have audited the accompanying schedule of expenditures of Federal awards (the schedule) of the State of New Jersey for the year ended June 30, 2015, and the related notes.

#### ***Management's Responsibility for the Schedule***

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

#### ***Auditors' Responsibility***

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

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

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

#### ***Opinion***

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2015, in accordance with the cash basis of accounting described in note 2.



***Basis of Accounting***

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

***Other Matter***

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

**KPMG LLP**

Short Hills, New Jersey  
March 28, 2016

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 1,106,930	—
10.069	Conservation Reserve Program	186,695	186,695
10.170	Specialty Crop Block Grant Program – Farm Bill	456,238	124,150
10.171	Organic Certification Cost Share Programs	61,744	—
10.304	Homeland Security – Agricultural	83,093	—
10.311	Beginning Farmer and Rancher Development Program	8,299	—
10.435	State Mediation Grants	9,565	—
10.458	Crop Insurance Education in Targeted States	340,435	—
10.475	Cooperative Agreements with States for Intrastate Meat & Poultry Inspection	121,994	—
	<i>SNAP Cluster:</i>		
10.551	Supplemental Nutrition Assistance Program (nonmonetary)	1,316,228,042	—
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	127,509,204	92,951,951
	Total SNAP Cluster	1,443,737,246	92,951,951
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	83,625,288	83,625,288
10.555	National School Lunch Program	247,014,080	247,014,080
10.556	Special Milk Program for Children	425,714	425,714
10.559	Summer Food Service Program for Children	8,639,802	8,257,707
	Total Child Nutrition Cluster	339,704,884	339,322,789
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	144,571,789	27,829,099
10.558	Child and Adult Care Food Program	74,434,928	73,570,398
10.560	State Administrative Expenses for Child Nutrition	7,161,678	—
	<i>Food Distribution Cluster:</i>		
10.565	Commodity Supplemental Food Program	213,619	208,240
10.568	Emergency Food Assistance Program (Administrative Costs)	2,094,346	1,191,085
10.569	Emergency Food Assistance Program (Food Commodities)	13,113,074	—
	Total Food Distribution Cluster	15,421,038	1,399,325
10.572	WIC Farmers' Market Nutrition Program (FMNP)	568,435	—
10.574	Team Nutrition Grants	154,569	154,569
10.576	Senior Farmers' Market Nutrition Program	791,586	26,020
10.579	Child Nutrition Discretionary Grant Limited Availability	474,122	420,733
10.582	Fresh Fruit and Vegetable Program	4,285,377	4,222,614
10.590	Disaster Relief Appropriations Act – Emergency Food Assistance Program (Administrative Costs)	424,800	424,530
10.664	Cooperative Forestry Assistance	604,709	186,281
10.676	Forest Legacy Program	1,884,815	—
10.680	Forest Health Protection	96,223	—
10.773	Rural Business Opportunity Grants	621	621
10.913	Farm and Ranch Lands Protection Program	1,041,204	1,041,204
10.927	Emergency Watershed Protection Program - Disaster Relief Appropriations Act	828,000	—
10.928	Emergency Watershed Protection Program - Floodplain Easements – Disaster Relief Appropriations Act	67,054	—
	Total U.S. Department of Agriculture	2,038,628,070	541,860,978
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	51,735	—
11.419	Coastal Zone Management Administration Awards	2,299,143	18,100
11.441	Regional Fishery Management Councils	383,021	—
11.463	ARRA – Habitat Conservation Pass-Through - American Rivers	45,220	—
11.472	Unallied Science Program Pass-Through - National Marine Fisheries Service	45,837	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	17,453	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act Pass Through - Atlantic States Marine Fisheries Commission	47,760	—
11.483	NOAA Programs for Disaster Relief Appropriations Act - Non-construction and Construction	1,740,991	—
11.549	State and Local Implementation Grant Program	16,144	—
11.557	ARRA – Broadband Technology Opportunities Program (BTOP)	17,327,991	—
11.558	ARRA – State Broadband Data and Development	339,154	—
	Total U.S. Department of Commerce	22,314,448	18,100
	U.S. Department of Defense:		
12.217	Electronic Absentee Systems for Elections	138,964	—
12.401	National Guard Military Operations and Maintenance (O&M) Projects	32,707,162	—
12.404	National Guard Challenge Program	521,237	—
12.UNA	Unassigned Catalog Numbers from Federal Government	2,162,683	—
	Total U.S. Department of Defense	35,530,045	—

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Housing and Urban Development:		
14.185	Capacity Building Grants and Cooperative Agreements for Compliance Assurance and Enforcement Activities in Indian Country and Other Tribal Areas	\$ (10,910)	(10,910)
	<i>CDBG – State-Administered CDBG Cluster:</i>		
14.228	Community Development Block Grants/State's Programs and Non – Entitlement Grants in Hawaii	8,381,623	7,917,575
	Total CDBG – State-Administered CDBG Cluster	8,381,623	7,917,575
14.231	Emergency Solutions Grants Program	2,614,371	2,502,791
14.235	Supportive Housing Program	1,192,196	(69,451)
14.238	Shelter Plus Care	1,589,225	—
14.239	Home Investment Partnerships Program	3,953,754	1,856,125
14.241	Housing Opportunities for Persons with AIDS	1,350,993	—
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grant (CDBG-DR)	797,149,061	240,258,459
14.401	Fair Housing Assistance Program – State and Local	473,835	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation	5,692,279	—
	Total Section 8 Project-Based Cluster	5,692,279	—
	<i>Housing Voucher Cluster:</i>		
14.871	Section 8 Housing Choice Vouchers	202,008,243	—
14.879	Mainstream Vouchers	320,035	354
	Total Housing Voucher Cluster	202,328,278	354
	Total U.S. Department of Housing and Urban Development	1,024,714,704	252,454,942
	U.S. Department of the Interior:		
15.153	Hurricane Sandy Disaster Relief – Coastal Resiliency Grants Pass-Through - National Fish and Wildlife Foundation	166,391	151,278
15.424	Marine Minerals Activities - Hurricane Sandy	1,333	—
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration Program	3,253,655	—
15.611	Wildlife Restoration and Basic Hunter Education	4,422,336	—
15.611	Wildlife Restoration and Basic Hunter Education Pass Through - Atlantic States Marine Fisheries Commission	14,260	—
	Total Fish and Wildlife Cluster	7,690,251	—
15.615	Cooperative Endangered Species Conservation Fund	97,193	—
15.616	Clean Vessel Act	436,376	387,080
15.622	Sport Fishing and Boating Safety Act	2,500	—
15.630	Coastal Program	2,837	—
15.633	Landowner Incentive	137,028	137,028
15.634	State Wildlife Grants	864,822	—
15.657	Endangered Species Conservation – Recovery Implementation Funds	13,248	—
15.667	Highlands Conservation Program	739,306	—
15.810	National Cooperative Geologic Mapping Program	179,218	—
15.811	Gap Analysis Program	5,392	—
15.904	Historic Preservation Fund Grants-In-Aid	1,699,365	124,433
15.957	Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	812,827	263,615
	Total U.S. Department of the Interior	12,848,088	1,063,434
	U.S. Department of Justice:		
16.017	Sexual Assault Services Formula Program	318,487	318,487
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	30,000	30,000
16.523	Juvenile Accountability Block Grants	586,979	514,118
16.523	Juvenile Accountability Block Grants Pass-Through – Camden County	76,418	—
16.523	Juvenile Accountability Block Grants Pass-Through – Essex County	59,807	—
16.523	Juvenile Accountability Block Grants Pass-Through – Passaic County	23,885	—
	Total Juvenile Accountability Block Grants	747,089	514,118
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	639,454	466,805
16.543	Missing Children's Assistance	496,294	—
16.554	National Criminal History Improvement Program (NCHIP)	358,641	—
16.575	Crime Victim Assistance	10,307,798	8,760,954
16.576	Crime Victim Compensation	4,547,575	2,624,802
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	26,172	—
16.585	Drug Court Discretionary Grant Program	37,343	—
16.588	Violence Against Women Formula Grants	3,177,116	2,715,753
16.593	Residential Substance Abuse Treatment for State Prisoners	213,781	62,142
16.606	State Criminal Alien Assistance Program	217,157	—
16.607	Bulletproof Vest Partnership Program	281,788	—
16.609	Project Safe Neighborhoods	36,203	22,524
16.727	Enforcing Underage Drinking Laws Program	61,616	55,874

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>JAG Program Cluster:</i>		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 5,279,606	3,308,563
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	2,160	—
	Total JAG Program Cluster	5,281,765	3,308,563
16.741	DNA Backlog Reduction Program	828,645	—
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	286,046	7,478
16.750	Support for Adam Walsh Act Implementation Grant Program	595,492	—
16.751	Edward Byrne Memorial Competitive Grant Program	283,640	—
16.754	Harold Rogers Prescription Drug Monitoring Program	168,570	—
16.812	Second Chance Act Prisoner Reentry Initiative	595,128	239,845
16.813	NICS Act Record Improvement Program	867,676	—
16.816	John R. Justice Prosecutors and Defenders Incentive Act	129,088	—
16.CON	Contractual Agreements	8,237	—
16.UNA	Unassigned Catalog Numbers from Federal Government	33,395	—
	Total U.S. Department of Justice	30,574,200	19,127,344
	U.S. Department of Labor:		
17.002	Labor Force Statistics	2,314,201	—
17.005	Compensation and Working Conditions	466,256	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service/Wagner-Peyser Funded Activities	19,248,179	25,645
17.801	Disabled Veterans' Outreach Program (DVOP)	2,587,296	—
17.804	Local Veterans' Employment Representative Program	605,989	—
	Total Employment Services Cluster	22,441,463	25,645
17.225	Unemployment Insurance – Federal	120,835,964	—
17.225	Unemployment Insurance – State	2,175,078,139	—
	Total Unemployment Insurance	2,295,914,103	—
17.235	Senior Community Service Employment Program	2,116,089	—
17.245	Trade Adjustment Assistance	5,652,507	—
	<i>WIA Cluster:</i>		
17.258	WIA Adult Program	24,916,618	19,472,602
17.259	WIA Youth Activities	19,229,803	19,229,803
17.278	WIA Dislocated Worker Formula Grants	30,556,039	23,348,235
	Total WIA Cluster	74,702,459	62,050,640
17.260	WIA Dislocated Workers	53,688	53,688
17.261	WIA Pilots, Demonstrations and Research Projects	147,975	146,880
17.271	Work Opportunity Tax Credit Program (WOTC)	223,791	—
17.273	Temporary Labor Certification for Foreign Workers	534,295	—
17.277	Workforce Investment Act (WIA) National Emergency Grants	5,003,344	3,960,166
17.280	WIA/WIOA Dislocated Worker National Reserve Demonstration Grants	1,905	—
17.503	Occupational Safety & Health – State Program	1,647,072	—
17.504	Consultation Agreements	1,726,619	—
17.600	Mine Health and Safety Grants	57,587	—
	Total U.S. Department of Labor	2,413,003,354	66,237,020
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	350,754	—
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	921,282,055	177,360,458
20.205	ARRA – Highway Planning and Construction	366,206	—
20.219	Recreational Trails Program	1,194,835	860,006
	Total Highway Planning and Construction Cluster	922,843,096	178,220,464
20.218	National Motor Carrier Safety	5,248,753	—
20.232	Commercial Driver License Program Improvement Grant	697,512	—
20.234	Safety Data Improvement Program	73,318	—
20.237	Commercial Vehicle Information Systems & Networks	20,410	—

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	\$ 7,239,773	2,958,503
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	287,957	89,328
20.612	Incentive Grant Program to Increase Motorcyclist Safety	28,306	28,306
20.613	Child Safety and Child Booster Seats Incentive Grants	42,861	26,535
	Total Highway Safety Cluster	7,598,898	3,102,672
20.616	National Priority Safety Programs	5,977,952	3,900,765
20.700	Pipeline Safety Program Base Grants	169,390	28,825
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	571,439	315,052
20.720	State Damage Prevention Program Grants	90,329	90,329
20.721	PHMSA Pipeline Safety Program One Call Grant	43,749	—
20.CON	Contractual Agreements – Fatal Accident Reporting System	163,359	—
	Total U.S. Department of Transportation	943,848,959	185,658,107
	U.S. Department of the Treasury:		
21.CON	Contractual Agreements	1,565	—
	Total U.S. Department of the Treasury	1,565	—
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	1,625	—
	Total Equal Employment Opportunity Commission	1,625	—
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts – Partnership Agreements	867,669	440,762
	Total National Foundation on the Arts and the Humanities	867,669	440,762
	U.S. Small Business Administration:		
59.061	State Trade and Export Promotion Pilot Grant Program	137,312	137,312
	Total U.S. Small Business Administration	137,312	137,312
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	332,940	—
64.009	Veterans Medical Care Benefits	481,455	481,455
64.015	Veterans State Nursing Home Care	32,483,941	—
64.101	Burial Expenses Allowances for Veterans	517,939	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	598,752	—
64.203	State Cemetery Grants	1,659,930	—
	Total U.S. Department of Veterans Affairs	36,074,957	481,455
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	736,505	—
66.040	State Clean Diesel Grant Program	129,058	—
66.454	Water Quality Management Planning	81,338	81,338
	<i>Clean Water State Revolving Fund Cluster:</i>		
66.458	Capitalization Grants for Clean Water State Revolving Funds	77,144,310	74,639,140
	Total Clean Water State Revolving Fund Cluster	77,144,310	74,639,140
66.461	Regional Wetland Program Development Grants	55,576	—
	<i>Drinking Water State Revolving Fund Cluster:</i>		
66.468	Capitalization Grants for Drinking Water State Revolving Funds	23,994,807	21,241,221
	Total Drinking Water State Revolving Fund Cluster	23,994,807	21,241,221
66.472	Beach Monitoring & Notification Program Implementation Grant	302,566	168,904
66.474	Water Protection Grants to the States	224,898	—
66.605	Performance Partnership Grants	14,035,016	3,038,350
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	241,498	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	180,781	—
66.708	Pollution Prevention Grants Program	130,226	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,010,860	—
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	134,844	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,417,020	—
66.815	Environmental Workforce Development and Job Training Cooperative Agreements	33,074	—
66.817	State and Tribal Response Program Grants	942,518	—
66.819	Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Leaking Underground Storage Tank Trust Fund Corrective Action Program	75,112	—
66.951	Environmental Education Grants Pass-Through - National Fish and Wildlife Foundation	500	—
	Total U.S. Environmental Protection Agency	120,870,508	99,168,953



**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
81.041	U.S. Department of Energy: State Energy Program	\$ 1,187,201	—
	Total State Energy Program	1,187,201	—
81.042	Weatherization Assistance for Low-Income Persons	2,742,210	2,146,369
81.087	Renewable Energy Research and Development	427,972	417,972
81.119	State Energy Program Special Projects	218,933	218,933
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	390,443	—
81.ADM	Administration Costs Consolidations	(1,780,133)	—
	Total U.S. Department of Energy	3,186,626	2,783,273
	U.S. Department of Education:		
84.002	Adult Education – Basic Grants to States	15,978,508	14,287,185
84.010	Title I Grants to Local Educational Agencies	285,910,759	280,420,363
84.011	Migrant Education: State Grant Program	1,510,317	1,390,028
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	1,971,068	1,198,327
	<i>Special Education Cluster (IDEA):</i>		
84.027	Special Education – Grants to States	385,012,753	363,873,995
84.173	Special Education – Preschool Grants	11,495,803	11,262,296
	Total Special Education Cluster (IDEA)	396,508,556	375,136,291
84.032	Federal Family Education Loan Program	2,728,237,188	—
84.048	Career and Technical Education – Basic Grants to States	26,190,869	23,690,988
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	60,504,932	5,840,170
84.144	Migrant Education – Coordination Program	77,945	60,000
84.169	Independent Living – State Grants	314,983	314,983
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	851,368	851,368
84.181	Special Education – Grants for Infants and Families	9,774,311	6,943,639
84.184	Safe & Drug-Free Schools and Communities – National Programs	204,588	170,466
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	652,093	56,912
84.196	Education for Homeless Children and Youth	1,296,656	1,163,239
84.224	Assistive Technology	601,332	601,332
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-service Training	87,937	—
84.282	Charter Schools	2,657,999	2,369,745
84.287	Twenty-First Century Community Learning Centers	22,873,768	21,903,444
84.330	Advanced Placement Program	474,229	—
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	4,464,927	4,221,142
	<i>Teacher Quality Partnership Grants Cluster:</i>		
84.336	Teacher Quality Enhancement Grants	74,328	—
	Total Teacher Quality Partnership Grants Cluster	74,328	—
84.358	Rural Education	11,677	11,667
84.365	English Language Acquisition State Grants	21,240,760	20,281,921
84.366	Mathematics and Science Partnerships	1,819,062	1,757,504
84.367	Improving Teacher Quality State Grants	52,816,523	51,023,214
84.369	Grants for State Assessments and Related Activities	7,809,049	—
	<i>Statewide Data Systems Cluster:</i>		
84.372	Statewide Data Systems	1,963,898	—
	Total Statewide Data Systems Cluster	1,963,898	—
	<i>School Improvement Grants Cluster:</i>		
84.377	School Improvement Grants	8,541,713	7,890,240
84.388	ARRA – School Improvement Grants	3,295,449	3,295,449
	Total School Improvement Grants Cluster	11,837,162	11,185,689
84.378	College Access Challenge Grant Program	1,700,219	1,700,219
84.412	Race to the Top – Early Learning Challenge	3,417,463	1,357,751
84.413	Race To The Top	10,343,062	5,586,096
84.419	Preschool Development Grants	10,575	—
84.CON	Contractual Agreements – National Center Educational Statistics	200,239	—
84.UNA	Unassigned Catalog Numbers from Federal Government	13,599	—
	Total U.S. Department of Education	3,674,401,948	833,523,683

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
90.401	U.S. Election Assistance Commission: Help America Vote Act Requirements Payments	\$ 3,566,234	—
	Total U.S. Election Assistance Commission	3,566,234	—
93.041	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	47,105	—
93.042	Special Programs for the Aging: Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	377,682	—
93.043	Special Programs for the Aging: Title III, Part D – Disease Prevention and Health Promotion Services	584,453	584,453
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B – Grants for Supportive Services and Senior Centers	9,838,250	9,838,250
93.045	Special Programs for the Aging – Title III, Part C: Nutrition Services	18,417,112	16,910,106
93.053	Nutrition Services Incentive Program	3,785,383	3,785,383
	Total Aging Cluster	32,040,745	30,533,739
93.048	Special Programs for the Aging – Title IV & Title II - Discretionary Projects	36,495	—
93.052	National Family Caregiver Support, Title III, Part E	4,231,194	3,819,952
93.069	Public Health Emergency Preparedness	13,998,557	6,110,163
93.070	Environmental Public Health and Emergency Response	1,091,349	58,500
93.071	Medicare Enrollment Assistance Program	544,897	443,544
93.072	Lifespan Respite Care Program	30,094	—
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	309	—
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	291,602	—
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	748,735	106,624
93.090	Guardian Assistance	1,078,750	—
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,266,620	1,203,188
	<i>Hurricane Sandy Relief Cluster:</i>		
93.095	HHS Programs for Disaster Relief Appropriations Act – Non Construction	89,688,017	82,761,113
	Total Hurricane Sandy Relief Cluster	89,688,017	82,761,113
93.103	Food and Drug Administration – Research	364,988	—
93.110	Maternal and Child Health Federal Consolidated Programs	523,986	446,873
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	2,495,947	1,206,132
93.127	Emergency Medical Services for Children	132,255	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	187,108	—
93.136	Injury Prevention and Control Research and State and Community Based Programs	856,061	674,177
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	117,058	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	2,252,432	2,159,680
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,481,769	2,289,991
93.165	Grants to States for Loan Repayment Program	257,760	—
93.235	Affordable Care Act (ACA) Abstinence Education Program	753,156	599,313
93.240	State Capacity Building	498,284	—
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	5,059,230	4,877,048
93.251	Universal Newborn Hearing Screening	296,424	132,173
93.262	Occupational Safety and Health Program	456,208	—
93.268	Immunization Cooperative Agreements	6,479,165	1,429,402
93.268	Immunization Cooperative Agreements (nonmonetary)	75,749,778	—
	Total Immunization Cooperative Agreements	82,228,943	1,429,402
93.270	Adult Viral Hepatitis Prevention and Control	96,664	8,000
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,291,689	2,023,591
93.292	National Public Health Improvement Initiative	1,765	—
93.305	National State Based Tobacco Control Programs	46,152	—
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	414,844	—
93.324	State Health Insurance Assistance Program	804,121	614,000
93.336	Behavioral Risk Factor Surveillance System	1,020	—
93.500	Pregnancy Assistance Fund Program	1,491,708	1,471,708
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	11,730,774	11,110,950
93.507	PPHF 2012 National Public Health Improvement Initiative	508,392	150,000

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	\$ 443,444	—
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	1,074,739	—
93.538	Affordable Care Act – National Environmental Public Health Tracking Program Network Implementation	261,251	—
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	69,057	—
93.556	Promoting Safe and Stable Families	5,146,410	5,146,410
	<i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families	289,274,074	117,925,457
	Total TANF Cluster	<u>289,274,074</u>	<u>117,925,457</u>
93.563	Child Support Enforcement	163,976,298	26,698,901
93.566	Refugee and Entrant Assistance – State Administered Programs	2,924,622	1,344,801
93.568	Low-Income Home Energy Assistance	134,495,766	23,413,533
93.569	Community Services Block Grant	20,635,526	19,550,370
	<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	115,214,933	114,242,019
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	72,618,176	70,163,869
	Total CCDF Cluster	<u>187,833,109</u>	<u>184,405,888</u>
93.576	Refugee and Entrant Assistance – Discretionary Grants	603,757	587,711
93.586	State Court Improvement Program	415,906	—
93.590	Community-Based Child Abuse Prevention Grants	2,264,455	2,091,655
93.597	Grants to States for Access and Visitation Programs	196,066	—
93.599	Chafee Education and Training Vouchers Program (ETV)	734,795	734,795
93.600	Head Start	175,101	—
93.617	Voting Access for Individuals with Disabilities – Grants to State	191,238	152,076
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,167,963	392,049
93.643	Children’s Justice Grants to States	557,314	456,851
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,447,475	—
93.652	Adoption Opportunities	214,098	161,341
93.658	Foster Care – Title IV-E	95,198,809	—
93.659	Adoption Assistance	58,598,000	—
93.667	Social Services Block Grant	63,158,781	35,298,868
93.669	Child Abuse and Neglect State Grants	696,301	696,301
93.670	Child Abuse and Neglect Discretionary Activities	391,393	226,207
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters – Grants to States and Indian Tribes	2,182,455	2,179,803
93.674	Chafee Foster Care Independence Program	2,218,224	2,216,991
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance – financed in part by the Prevention and Public Health Fund (PPHF)	89,731	—
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	528,909	497,652
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)	380,107	86,872
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	2	—
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	365,795	168,911
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	2,440,820	2,111,087
93.767	Children’s Health Insurance Program	289,840,753	6,842,826
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	2,955,001	—
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	10,985,304	—
93.778	Medical Assistance Program	8,901,844,946	77,790,050
93.778	ARRA – Medical Assistance Program	(2,526,808)	—
	Total Medicaid Cluster	<u>8,913,258,443</u>	<u>77,790,050</u>

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	\$ 6,250	—
93.791	Money Follows the Person Rebalancing Demonstration	16,006,466	—
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	4,976	—
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	82,604	—
93.889	National Bioterrorism Hospital Preparedness Program	6,359,873	3,113,903
93.913	Grants to States for Operation of Offices of Rural Health	95,253	—
93.917	HIV Care Formula Grants	43,946,462	7,759,226
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	546,626	—
93.926	Healthy Start Initiative	252,396	134,213
93.928	Special Projects of National Significance	49,855	—
93.940	HIV Prevention Activities: Health Department Based	16,041,420	11,579,798
93.944	HIV Demonstration, Research, Public and Professional Education Project	3,078,042	—
93.945	Assistance Programs for Chronic Disease Prevention and Control	728,636	578,268
93.946	Cooperative Agreements to Support State Based Safe Motherhood and Infant Health Initiative Programs	205,619	—
93.958	Block Grants for Community Mental Health Services	10,051,754	10,021,614
93.959	Block Grants for Prevention and Treatment of Substance Abuse	47,494,347	41,048,223
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	2,484,464	287,544
93.982	Mental Health Disaster Assistance and Emergency Mental Health	173,096	171,432
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	308,125	—
93.991	Preventive Health and Health Services Block Grant	813,065	415,969
93.994	Maternal and Child Health Services Block Grant to the States	12,069,966	4,982,455
93.CON	Contractual Agreement	4,403,114	430,771
	Total U.S. Department of Health and Human Services	<u>10,677,058,742</u>	<u>746,515,133</u>
	Corporation for National and Community Service:		
94.003	State Commissions	341,512	—
94.006	AmeriCorps	2,220,683	1,965,395
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	603,728	444,348
	Total Foster Grandparents/Senior Companion Cluster	<u>603,728</u>	<u>444,348</u>
	Total Corporation for National and Community Service	<u>3,165,922</u>	<u>2,409,744</u>
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security – Disability Insurance	60,747,185	—
	Total Disability Insurance/SSI Cluster	<u>60,747,185</u>	<u>—</u>
96.UNA	Unassigned Catalog Numbers from Federal Government	4,911	—
	Total Social Security Administration	<u>60,752,095</u>	<u>—</u>
	U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	1,524,640	1,502,977
97.012	Boating Safety Financial Assistance	2,895,818	—
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	436,840	—
97.029	Flood Mitigation Assistance	159,180	—
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	231,141,843	194,592,991
97.039	Hazard Mitigation Grant	75,208,303	11,139,893
97.041	National Dam Safety Program	97,156	—
97.042	Emergency Management Performance Grants	10,580,421	2,030,114
97.045	Cooperating Technical Partners	1,508,480	—
97.047	Pre-Disaster Mitigation	116,998	116,510
97.052	Emergency Operations Center	1,514,842	1,492,657
97.056	Port Security Grant Program	483,612	—
97.067	Homeland Security Grant Program	38,571,901	26,001,036
97.088	Disaster Assistance Projects	4,015,894	3,846,812
97.091	Homeland Security Biowatch Program	676,243	—
97.092	Repetitive Flood Claims	68,663	66,295
97.106	Securing the Cities Program	218,695	3,163
97.110	Severe Repetitive Loss Program	12,437,906	11,221,080
	Total U.S. Department of Homeland Security	<u>381,657,435</u>	<u>252,013,527</u>
	Totals	<u>\$ 21,483,204,504</u>	<u>3,003,893,767</u>

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

**STATE OF NEW JERSEY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

**(1) Basis of Presentation**

**(a) Reporting Entity**

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2015. The State of New Jersey financial reporting entity is described in note 1b of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey, as defined above, for the year ended June 30, 2015.

**(b) Federal Family Education Loan Program**

The State of New Jersey administers the Federal Family Education Loan Program – Guaranty Program (FFELP). During the fiscal year ended June 30, 2015 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to \$75,137,141 and \$11,162,943, respectively, and are included in the accompanying Schedule. The principal outstanding for guaranteed loans as of June 30, 2015 and 2014 were \$2,401,364,487 and \$2,641,937,104, respectively.

**(c) Federal Awards Programs Numbers**

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

**(d) Disaster Grants – Public Assistance (Presidentially Declared Disaster) (97.036)**

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

In 2015, FEMA approved approximately \$33,123,000 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

**(2) Basis of Accounting**

**(a) General**

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

**(b) Highway Planning and Construction Program**

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

## STATE OF NEW JERSEY

### Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(c) ***Nonmonetary Federal Awards***

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

(3) **Matching Costs**

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

(4) **Relationship to Federal Financial Reports**

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

(5) **Contingencies**

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

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



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

The Governor  
State of New Jersey:

**Report on Compliance for Each Major Federal Program**

We have audited the State of New Jersey's (the State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2015. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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



***Basis for Qualified Opinion***

As described below and described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

<u>Federal awarding agency</u>	<u>State administering agency</u>	<u>Federal program (CFDA number)</u>	<u>Compliance requirement</u>	<u>Finding number</u>
U.S. Department of Health and Human Services	Department of Health	HIV Care Formula Grants (93.917)	Subrecipient Monitoring	2015-005
U.S. Department of Agriculture U.S. Department of Health and Human Services	Department of Health	Special Supplemental Nutrition Program for Women, Infants and Children (10.557)/ Immunization Cooperative Agreements (93.268)/ Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)/ Public Health Emergency Preparedness (93.069)	Reporting	2015-007
U.S. Department of Defense	Department of Military and Veterans Affairs	National Guard Military Operations and Maintenance (O&M) Projects (12.401)	Allowable Costs/ Cost Principles	2015-008
U.S. Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)	Reporting	2015-012
U.S. Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)	Reporting	2015-013
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Allowable Costs/ Cost Principles	2015-015
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Reporting	2015-016
U.S. Department of Homeland Security	Department of Law and Public Safety	Hazard Mitigation Grant (97.039)	Reporting	2015-017
U.S. Department of Transportation	Department of Law and Public Safety	Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)	Reporting	2015-020
U.S. Department of Transportation	Department of Law and Public Safety	Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)	Allowable Costs/ Cost Principles	2015-021
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Grant Program (97.067)	Equipment	2015-025
U.S. Department of Transportation U.S. Department of Homeland Security	Department of Law and Public Safety	Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)/ Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)/Hazard Mitigation Grant (97.039)/ Homeland Security Grant Program (97.067)	Subrecipient Monitoring	2015-028





<u>Federal awarding agency</u>	<u>State administering agency</u>	<u>Federal program (CFDA number)</u>	<u>Compliance requirement</u>	<u>Finding number</u>
U.S. Department of Health and Human Services	Department of Human Services Department of Labor and Workforce Development	TANF Cluster (93.558)	Subrecipient Monitoring	2015-032
U.S. Department of Health and Human Services	Department of Human Services Department of Labor and Workforce Development	TANF Cluster (93.558)	Special Tests and Provisions	2015-033
U.S. Department of Health and Human Services	Department of Human Services	Social Services Block Grant (93.667)	Subrecipient Monitoring	2015-036
U.S. Department of Health and Human Services	Department of Human Services Department of Children and Families	TANF Cluster (93.558)	Suspension and Debarment Subrecipient Monitoring	2015-037
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Special Tests and Provisions	2015-040
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Subrecipient Monitoring	2015-041
U.S. Department of Health and Human Services	Department of Human Services	TANF Cluster (93.558)	Eligibility and Subrecipient Monitoring	2015-042
U.S. Department of Health and Human Services	Department of Human Services	Medicaid Cluster (93.775, 93.777, 93.778)	Allowable Costs/ Cost Principles	2015-044
U.S. Department of Housing and Urban Development	Department of Community Affairs	CDBG - State Administered CDBG Cluster (14.228)	Reporting	2015-050

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

### ***Qualified Opinion***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of the major programs identified in the Basis for Qualified Opinion paragraph for the year ended June 30, 2015.

### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.

### ***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 2015-002, 2015-003, 2015-004, 2015-006, 2015-009, 2015-010, 2015-014, 2015-019, 2015-022, 2015-023, 2015-026, 2015-027, 2015-030, 2015-034, 2015-035, 2015-038, 2015-039, 2015-043, 2015-046, 2015-047, 2015-048, 2015-049, 2015-051 and 2015-052. Our opinion on each major federal program is not modified with respect to these matters.



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

### **Report on Internal Control Over Compliance**

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 2015-005, 2015-007, 2015-008, 2015-011, 2015-012, 2015-013, 2015-015, 2015-016, 2015-017, 2015-020, 2015-021, 2015-025, 2015-028, 2015-032, 2015-033, 2015-036, 2015-037, 2015-040, 2015-041, 2015-042, 2015-044, and 2015-050 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: 2015-002, 2015-003, 2015-004, 2015-006, 2015-009, 2015-010, 2015-014, 2015-018, 2015-019, 2015-022, 2015-023, 2015-024, 2015-026, 2015-027, 2015-029, 2015-030, 2015-031, 2015-034, 2015-035, 2015-038, 2015-039, 2015-043, 2015-045, 2015-046, 2015-047, 2015-048, 2015-049, 2015-051 and 2015-052 to be significant deficiencies.

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

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

**KPMG LLP**

Short Hills, New Jersey  
March 28, 2016

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**(1) Summary of Auditor's Results**

***Basic Financial Statements***

- (a) An unmodified opinion was issued by the State Auditor, State of New Jersey, on the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2015.
- (b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses and one significant deficiency in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2015.
- (c) The audit by the State Auditor, State of New Jersey disclosed no instances of noncompliance which are material to the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2015.

***Single Audit***

- (d) This audit of Federal financial assistance disclosed material weaknesses and significant deficiencies which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2015.
- (e) The type of report issued on compliance for major programs:

**Qualifications:**

- Medicaid Cluster
- TANF Cluster
- Social Services Block Grants
- Disaster Grants – Public Assistance (Presidentially Declared Disasters)
- Homeland Security Grant Program
- Hazard Mitigation Grant
- Highway Safety Cluster
- Special Supplemental Nutrition Program for Women, Infants and Children
- HIV Care Formula Grants
- Immunization Cooperative Agreements
- Public Health Emergency Preparedness
- Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
- National Guard Military Operations and Maintenance (O&M) Projects
- CDBG – State Administered CDBG Cluster

The opinions for all other major programs are unmodified.

- (f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2015.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(g) The major Federal programs of the State of New Jersey for the year ended June 30, 2015 were as follows:

U.S. Department of Agriculture:

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

U.S. Department of Defense:

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

U.S. Department of Housing and Urban Development:

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

U.S. Department of Labor:

- Employment Services Cluster (17.207, 17.801, 17.804)
- Unemployment Insurance (17.225)

U.S. Department of Transportation:

- Highway Planning and Construction Cluster (including ARRA) (20.205, 20.219)
- Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)

U.S. Department of Veterans Affairs:

- Veterans State Nursing Home Care (64.015)

U.S. Department of Education:

- Federal Family Education Loan Program (84.032)
- Career and Technical Education – Basic Grants to States (84.048)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- English Language Acquisition State Grants (84.365)

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

U.S. Department of Health and Human Services:

- Aging Cluster (93.044, 93.045, 93.053)
- Public Health Emergency Preparedness (93.069)
- Hurricane Sandy Relief Cluster (93.095)
- Immunization Cooperative Agreements (93.268)
- Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)
- TANF Cluster (93.558)
- Child Support Enforcement (93.563)
- Community Services Block Grant (93.569)
- Foster Care – Title IV-E (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Children’s Health Insurance Program (93.767)
- Medicaid Cluster (including ARRA) (93.775, 93.777, 93.778)
- Money Follows the Person Rebalancing Demonstration (93.791)
- HIV Care Formula Grants (93.917)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security:

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

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- (h) The dollar threshold used to distinguish between type A and type B programs was \$32,224,807 for Federal awards for the year ended June 30, 2015.
- (i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2015.

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

The State Auditor, State of New Jersey issued under separate cover the report in accordance with *Government Auditing Standards*. The State Auditor disclosed no material weaknesses in internal control, however one significant deficiency in internal control, 2015-001 was identified. Additionally, the report disclosed no instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*.

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

See appendix of findings items 2015-002 to 2015-052.

## **APPENDIX OF FINDINGS**

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Social Services Block Grant (93.667)**

**Grant Award Numbers and Years:**

Various

**State Agency: Department of Treasury**

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

**Finding: 2015-002 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

Verify that the pass-through entity:

- a. Ensured that the required subrecipient audits were completed. For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were “no audit findings,” the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database (available at <http://harvester.census.gov/sac>) as evidence to verify that the subrecipient had “no audit findings” and that the required audit was performed. This FAC verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity (pursuant to A-133 §\_\_320(e)(2)) when there are no audit findings.
- b. Issued management decisions on audit findings within 6 months after receipt of the subrecipient’s audit report.
- c. Ensured that subrecipients took appropriate and timely corrective action on all audit findings.

**Condition**

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

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

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

During the State fiscal year 2015, thirty-nine subrecipients were required to submit an OMB Circular A-133 audit report to the Department. We selected a sample of three of the Department’s subrecipient audit reports to ensure



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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

that the desk reviews were performed timely and management decisions, on audit findings noted during the review, were completed and accurately recorded in the GSA system. For one of the three OMB Circular A-133 reports and desk reviews selected, the Department did not receive the A-133 audit report within the required time period and was not able to provide documentation showing communication with the subrecipient regarding receipt of a late report.

A similar finding was included in the 2014 prior year single audit report as item 2014-036.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Highway Planning and Construction Cluster (20.205, 20.219)**

**Grant Award Numbers and Years:**

Various

**State Agency: Department of Transportation**

**Federal Agency: U.S. Department of Transportation**

**Finding: 2015-003 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Federal Funding Accountability and Transparency Act*

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

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

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

**Condition**

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

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- For twenty-eight of the forty subawards, the Department submitted the FFATA report, however incorrectly reported the subaward amount.

A similar finding was included in the 2014 prior year single audit report as item 2014-035.

**Cause**

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

**Effect**

The Department did not submit subaward information in certain FFATA reports accurately.

**Recommendation**

We recommend that the Department implement procedures to ensure accurate reporting of subaward information on FFATA reports prior to submission.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Grant Award Numbers and Years:**

**X02MC23119 (9/30/11 – 9/29/14), X02MC26333 (9/1/13 – 9/30/15), D89MC23540 (3/31/13 – 9/30/15), X02MC27410 (8/1/14 – 9/30/16)**

**State Agency: Department of Health**

**Department of Children and Families**

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

**Finding: 2015-004 Suspension and Debarment**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

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

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

**Condition**

The Department of Health is the primary recipient of the Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (ACA program). Through a memorandum of agreement, funding is provided to the Department of Children and Families. The Department of Children and Families (the Department) enters into contracts with various subrecipients in order to administer the ACA program in the State of New Jersey (the State). In response to a prior year finding, the Department implemented a process in March 2015 to collect a certification regarding a subrecipient’s suspension and debarment status for all their fiscal year 2015 contracts. In addition, the Department now performs an independent search of ELPS and includes the results of such search within the subrecipient files.

For two of the eight contracts selected for testwork, the contract did not contain a suspension and debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transactions with them. Both of these contracts were for fiscal year 2014 and prior to the implementation of the corrective action as described above. Total funds passed through to these subrecipients during State fiscal year 2015 were \$500,241.

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Year ended June 30, 2015

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

Total funds passed through to subrecipients during State fiscal year 2015 were \$11,110,950.

**Cause**

The two exceptions noted related to fiscal year 2014 contracts, which were issued prior to the implementation of corrective action regarding a prior year finding.

**Effect**

The Department may have entered into agreements with subrecipients that are suspended or debarred.

**Recommendation**

We recommend that the Department continue their new procedures in order to verify an entity's suspension and debarment status prior to entering into an agreement.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**HIV Care Formula Grants (93.917)**

**Grant Award Numbers and Years:**

**X07HA00017-24 (4/1/14 – 3/31/15), X07HA00017-25 (4/1/15 – 3/31/16)**

**State Agency: Department of Health**

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

**Finding: 2015-005 Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*A pass-through entity is responsible for:*

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

*During-the-Award Monitoring*

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

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

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

- *Reporting* – Reviewing financial and performance reports submitted by the subrecipient.
- *Site Visits* – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

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Year ended June 30, 2015

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

**Condition**

The Department of Health (the Department) is the agency responsible for the administration of the HIV Care Formula Grants (the Grant) in the State of New Jersey (the State). The Department utilizes subrecipients to assist in accomplishing the objectives of the Grant. In order to ensure compliance with the applicable requirements, the Department conducts an annual site visit to review the subrecipient’s accounting records, policies and procedures and to provide corrective action if needed.

For two of the six subrecipients selected for testwork, a site visit was not performed. Total funds passed through to these subrecipients during State fiscal year 2015 were \$508,243.

Total funds passed through to subrecipients during State fiscal year 2015 were \$39,435,064.

**Cause**

Only one individual had the appropriate credentials to perform the site visits for the two subrecipients noted above. As this individual resigned during the fiscal year, no site visits were performed.

**Effect**

The Department is not properly monitoring these subrecipients for all direct and material compliance requirements to ensure they are properly administering the grant.

**Recommendation**

We recommend the Department perform the annual site visits for all subrecipients as required under the regulations of the grant.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management’s corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Public Health Emergency Preparedness (93.069)**

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

**HIV Care Formula Grants (93.917)**

**Grant Award Numbers and Years:**

14141NJ704W1003 (10/1/13 – 9/30/14), 15151NJ704W1003 (10/1/14 – 9/30/15), 5U90TP00536 (7/1/14 – 6/30/15), 5H23IP000728-02 (1/1/14 – 12/31/14), 5H23IP000728-03 (1/1/15 – 12/31/15), X02MC23119 (9/30/11 – 9/29/14), X02MC26333 (9/1/13 – 9/30/15), D89MC23540 (3/31/13 – 9/30/15), X02MC27410 (8/1/14 – 9/30/16), X07HA00017-24 (4/1/14 – 3/31/15), X07HA00017-25 (4/1/15 – 3/31/16)

**State Agency: Department of Health**

**Federal Agency: U.S. Department of Agriculture**

**U.S. Department of Health and Human Services**

**Finding: 2015-006 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

A pass-through entity is responsible for:

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

**Condition**

The Department of Health (the Department) enters into subaward agreements with subrecipients in order to administer the Special Supplemental Nutrition Program for Women, Infants, and Children, the Public Health Emergency Preparedness program, the Immunization Cooperative Agreements, the Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program, and the HIV Care Formula Grants (the Programs) in the State of New Jersey (the State). The Department has a standard subaward agreement that is populated with the necessary information related to the respective grant that is being provided to a subrecipient.

Based on our testwork performed over the Programs, the Department did not communicate the CFDA title, award name and number or the name of the Federal awarding agency to the subrecipients. Total funds passed through to subrecipients during the State fiscal year were \$27,829,099 for the Special Supplemental Nutrition Program for Women, Infants and Children, \$6,110,163 for the Public Health Emergency Preparedness program, \$1,429,402 for Immunization Cooperative Agreements, \$11,110,950 for the Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program, and \$39,435,064 for the HIV Care Formula Grants.

**Cause**

The Department's standard subaward agreement does not include all the required Federal award information.



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**Effect**

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

**Recommendation**

We recommend that the Department implement policies and procedures to communicate the Federal grant information to all subrecipients.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

**Public Health Emergency Preparedness (93.069)**

**Immunization Cooperative Agreements (93.268)**

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

**Grant Award Numbers and Years:**

14141NJ704W1003 (10/1/13 – 9/30/14), 15151NJ704W1003 (10/1/14 – 9/30/15), 5U90TP00536 (7/1/14 – 6/30/15), 5H23IP000728-02 (1/1/14 – 12/31/14), 5H23IP000728-03 (1/1/15 – 12/31/15), X02MC23119 (9/30/11 – 9/29/14), X02MC26333 (9/1/13 – 9/30/15), D89MC23540 (3/31/13 – 9/30/15), X02MC27410 (8/1/14 – 9/30/16), X07HA00017-24 (4/1/14 – 3/31/15), X07HA00017-25 (4/1/15 – 3/31/16)

**State Agency: Department of Health**

**Federal Agency: U.S. Department of Agriculture**

**U.S. Department of Health and Human Services**

**Finding: 2015-007 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Federal Funding Accountability and Transparency Act*

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

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

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

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

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no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

**Condition**

The Department of Health (the Department) has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. In response to the prior year findings, during State fiscal year 2015, the Department implemented procedures and provided training on the FFATA requirement. The trainings occurred on a division by division basis, therefore not all of the Department's federal awards, for which subrecipients are awarded, were properly reported. The Department did not address this requirement for the Special Supplemental Nutrition Program for Women, Infants and Children, the Public Health Emergency Preparedness program, the Immunization Cooperative Agreements and the Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program in State fiscal year 2015.

A similar finding was included in the 2014, 2013, 2012, and 2011 prior year single audit reports as items 2014-027, 2013-021, 12-26, and 11-45, respectively.

**Cause**

Certain divisions within the Department that administer the above programs were not trained or did not properly submit the subaward data as required under FFATA.

**Effect**

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

**Recommendation**

We recommend that the Department continue to implement the procedures and provide the training to all divisions under the Department in order to properly report subaward data required under FFATA.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

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

**Grant Award Numbers and Years:**

**W912KN-10-2-1001, W912KN-10-2-1002, W912KN-10-2-1003, W912KN-10-2-1004, W912KN-10-2-1005, W912KN-10-2-1007, W912KN-10-2-1008, W912KN-10-2-1010, W912KN-10-2-1021, W912KN-10-2-1022, W912KN-10-2-1023, W912KN-10-2-1024, W912KN-10-2-1040**

**State Agency: Department of Military and Veterans Affairs**

**Federal Agency: U.S. Department of Defense**

**Finding: 2015-008 Allowable Costs/Cost Principles**

**Finding Type: Qualified, Material Weakness**

**Criteria**

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

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

**Condition**

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

The total salaries and fringe benefits charged to the National Guard Military O&M Projects for the fiscal year ended June 30, 2015 was \$7,916,803 and \$1,309,764, respectively.

A similar finding was included in the 2014 prior year single audit report as item 2014-024.

**Cause**

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

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

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**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$9,226,567

**View of Responsible Official**

See management's corrective action plan.

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

**Grant Award Numbers and Years:**

**W912KN-10-2-1001, W912KN-10-2-1002, W912KN-10-2-1003, W912KN-10-2-1004, W912KN-10-2-1005, W912KN-10-2-1007, W912KN-10-2-1008, W912KN-10-2-1010, W912KN-10-2-1021, W912KN-10-2-1022, W912KN-10-2-1023, W912KN-10-2-1024, W912KN-10-2-1040**

**State Agency: Department of Military and Veterans Affairs**

**Federal Agency: U.S. Department of Defense**

**Finding: 2015-009 Suspension and Debarment**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

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

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

**Condition**

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

During our testwork, the following was noted:

- For seven out of forty procurement transactions selected for testwork, the Department did not verify the vendor's suspension or debarment status by checking the Excluded Parties List System (EPLS) or by collecting a certification from the vendor. Total funds provided to these vendors was \$4,649,922.

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

A similar finding was included in the 2014 prior year single audit report as item 2014-025.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Cause**

Prior to January 26, 2015, the Department did not have a policy or procedure in place to check a vendor's suspension or debarment status prior to entering into a contract. The Department currently has a procedure in place to verify that vendors are not suspended or debarred prior to entering into a contract.

**Effect**

The Department may have entered into contract agreements with vendors that are suspended or debarred.

**Recommendation**

We recommend the Department continue their new procedures to check the suspension and debarment status prior to entering into contracts.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Grant Award Numbers and Years:**

**W912KN-10-2-1001, W912KN-10-2-1002, W912KN-10-2-1003, W912KN-10-2-1004, W912KN-10-2-1005, W912KN-10-2-1007, W912KN-10-2-1008, W912KN-10-2-1010, W912KN-10-2-1021, W912KN-10-2-1022, W912KN-10-2-1023, W912KN-10-2-1024, W912KN-10-2-1040**

**State Agency: Department of Military and Veterans Affairs**

**Federal Agency: U.S. Department of Defense**

**Finding: 2015-010 Procurement**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

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

Local governments and Indian tribal governments that are direct recipients of Federal awards and their subrecipients will use procurement procedures that conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule or OMB Circular A-110 (2 CFR part 215), as applicable.

Institutions of higher education, hospitals, and other non-profit organizations will use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR part 215). Their subrecipients will use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110 (2 CFR part 215) or the A-102 common rule, as applicable.

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

**Condition**

In accordance with N.J.S.A. 52:25-23, the Division of Purchase and Property (DPP) may delegate certain purchases to State agencies. Agencies must follow the guidelines for Delegated Purchasing Authority (DPA) contracts under Circular 11-10-DPP, which states:

“EMERGENCY DPA PROCUREMENTS: In cases of life, safety and health emergencies, when the public exigency requires the immediate delivery of the item or service and time does not permit competitive prices to be obtained from the required number of vendors, a single quotation is permitted. The agency may solicit quotes from a vendor employing the following procurement methods: telephone quotations, internet pricing or quotations, signed fax quotations, signed written quotations or e-mailed quotations. A memorandum of the particular public exigency that precluded the solicitation of quotations from the required number of vendors must be prepared and signed by the Agency Approval Officer and made part of the DPA file.”

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



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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

During our testwork, the following was noted:

- For one out of forty procurement transactions selected for testwork, the Department did not have a completed and approved memorandum of the emergency event that took place to support that the purchase precluded them from obtaining three vendor quotes in accordance with Circular 11-10-DPP. The purchase was for an event that was deemed an emergency therefore obtaining one vendor quote was appropriate, however the Department failed to have an approved memorandum of this event as is required under N.J.S.A 52:25-23 and Circular 11-0-DPP. Total funds provided to the vendor for this purchase was \$11,495.

**Cause**

The Department does not have policies or procedures in place to create and approve the necessary memorandum needed for emergency procurement events.

**Effect**

The Department is not complying with Circular 11-10-DPP, which outlines the necessary procedures for procurement of DPA purchases.

**Recommendation**

We recommend that the Department implement policies and procedures to ensure that they create and approve the necessary documentation needed for emergency procurement procedure events.

**Related Noncompliance**

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

**Questioned Costs**

\$11,495

**View of Responsible Official**

See management's corrective action plan.

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Year ended June 30, 2015

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

**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

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

**Hazard Mitigation Grant - 1694DRNJP00000005 (4/26/07 – 4/26/15), 1867DRNJP00000005 (3/15/10 – 3/15/18), 1889DRNJP00000005 (3/23/10 – 3/23/18), 1897DRNJP00000005, 4021DRNJP00000005 (8/27/11 – 8/27/19), 4033DRNJP00000005 (8/13/11 – 8/15/11), 4039DRNJP00000005 (9/28/11 – 9/28/19), 4048DRNJP00000005 (10/29/11 – 10/29/19), 4070DRNJP00000005 (7/19/12 – 7/19/20), 4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-011 Other Requirements – Information Technology General Controls**

**Finding Type: Material Weakness**

**Criteria**

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

**Condition**

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

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

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

1. *Report on Controls at a Service Organization*

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

2. *Security Policy Procedures*

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

3. *Password Settings*

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

4. *Physical Access to Data Center*

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

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

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

6. *Terminations*

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

7. *Periodic Review of Access*

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

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8. *Program Changes*

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

9. *Emergency Changes*

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

A similar finding was included in the 2014 and 2013 prior year single audit reports as items 2014-012 and 2013-035, respectively.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Grant Award Number and Year:**

**4086DRNJP00000001 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-012 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Financial Reporting*

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

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

**Condition**

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance for the State of New Jersey (the State) and is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. We selected eight FFRs submitted for the State fiscal year 2015. For two of the eight FFRs selected, the Department calculated the “Total recipient share required” and “Recipient share of expenditures” incorrectly. The amounts reported were as follows:

<u>Disaster</u>	<u>Line Item</u>	<u>Quarter</u>	<u>Amount Reported</u>	<u>Correct Amount</u>
DR4086	Total recipient share required	6/30/15	\$167,423,188	\$186,025,764
DR4086	Recipient share of expenditures	6/30/15	\$85,504,053	\$95,004,504
DR4086	Total recipient share required	3/31/15	\$152,331,801	\$173,753,277
DR4086	Recipient share of expenditures	3/31/15	\$81,714,174	\$82,959,750

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Additionally, the Department incorrectly calculated the “Total Federal Funds Authorized.” The Department incorrectly used the previous period’s amount instead of updating it for the current periods share. Below were the details for the miscalculation:

<u>Disaster</u>	<u>Quarter</u>	<u>Amount Reported</u>	<u>Correct Amount</u>
DR4086	3/31/15	1,523,318,015	1,563,779,495

There are no questioned costs related to these errors as they did not impact the amount of Federal expenditures charged.

**Cause**

The Department incorrectly reported the “Total recipient share required,” “Recipient share of expenditures” and “Total Federal Funds Authorized” on the Federal Financial Reports.

**Effect**

Inaccurate amounts were reported on the SF-425 reports.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management’s corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Grant Award Numbers and Years:**

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

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-013 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Federal Funding Accountability and Transparency Act*

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

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

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

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**Condition**

The Department of Law and Public Safety (the Department) has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. Our testwork noted the Department did not make a good faith effort to submit the required subaward data required under FFATA for thirty-one of the forty subawards selected.

A similar finding was included in the 2014 prior year single audit report as item 2014-013.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

**Public Assistance: 4086DRNJP00000001 (10/26/12 – 10/26/20); Hazard Mitigation: 4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-014 Allowable Costs/Cost Principles**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

In accordance with OMB Circular A-87, Attachment B, for direct costs to be allowable they must meet the following criteria:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
  - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
  - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
  - c. Equipment and other approved capital expenditures.
  - d. Travel expenses incurred specifically to carry out the award.
3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.

**Condition**

The Department of Law and Public Safety (DLPS), Division of State Police (DSP) charge expenditures to the Public Assistance – Disaster Grant based off of what project the expenditure relates to. The Department has to ensure that the expenditures are being charged to the right program and project. We selected forty items to test for allowable costs. One of the forty selections was charged to the incorrect Federal program. The selection consisted of multiple invoices and were charged to Public Assistance (97.036), however one of the invoices should have been charged to Hazard Mitigation (97.039). The amount of the invoice that should have been to be charged to Hazard Mitigation was \$1,517 and is included in questioned costs below.

**Cause**

The controls over reviewing and approving expenditures was not operating effectively to ensure invoices were charged to the correct program.

**Effect**

Expenditures for the Disaster Grants – Public Assistance were overstated.

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Schedule of Findings and Questioned Costs

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**Recommendation**

We recommend that DLPS strengthen controls over reviewing and approving expenditures to ensure that they are charged to the appropriate program.

**Related Noncompliance**

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

**Questioned Costs**

\$1,517

**View of Responsible Official**

See management's corrective action plan.

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Year ended June 30, 2015

**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

**1694DRNJP00000005 (4/26/07 – 4/26/15), 1867DRNJP00000005 (3/15/10 – 3/15/18), 1889DRNJP00000005 (3/23/10 – 3/23/18), 1897DRNJP00000005, 4021DRNJP00000005 (8/27/11 – 8/27/19), 4033DRNJP00000005 (8/13/11 – 8/15/11), 4039DRNJP00000005 (9/28/11 – 9/28/19), 4048DRNJP00000005 (10/29/11 – 10/29/19), 4070DRNJP00000005 (7/19/12 – 7/19/20), 4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-015 Allowable Costs/Cost Principles**

**Finding Type: Qualified, Material Weakness**

**Criteria**

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

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

**Condition**

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

The total salaries charged to the Hazard Mitigation Program for the fiscal year ended June 30, 2015 was \$1,217,616, of which \$503,095 was incurred prior to January 1, 2015 and was not supported by time and effort reports and was included in questioned costs below.

A similar finding was included in the 2014 prior year single audit report as item 2014-017.

**Cause**

DSP did not have controls in place to ensure the requirement of time and effort reporting prior to January 1, 2015.

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**Effect**

Salary and related costs allocated to the Federal grant prior to January 1, 2015 are not appropriately supported by certifications of actual time and effort.

**Recommendation**

We recommend that the Department ensure the time and effort reports are completed for individuals working on Federal grants.

**Related Noncompliance**

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

**Questioned Costs**

\$503,095

**View of Responsible Official**

See management's corrective action plan

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

**4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-016 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Financial Reporting*

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

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

**Condition**

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Hazard Mitigation Grant for the State of New Jersey (the State) and is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. We selected eight FFRs submitted for the State fiscal year 2015. For one of the eight FFRs selected, the Department reported the following incorrect amount pertaining to the “Cash Disbursements”:

<u>Disaster</u>	<u>Quarter</u>	<u>Amount Reported</u>	<u>Correct Amount</u>
DR4086	6/30/15	\$84,437,399	\$91,781,687

The difference of \$7,344,288 is reported as questioned costs below.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Additionally, the Department incorrectly calculated the “Recipient Share of Expenditures.” The Department incorrectly reported the previous period’s amount without updating it for the current periods share. Below were the details for the miscalculation:

<u>Disaster</u>	<u>Quarter</u>	<u>Amount Reported</u>	<u>Correct Amount</u>
DR4086	6/30/15	\$950,055	\$28,145,800

A similar finding was included in the 2014 prior year single audit report as item 2014-016.

**Cause**

The Department incorrectly reported the “Cash Disbursements” and “Recipient Share of Expenditures” on the financial report.

**Effect**

Inaccurate amounts were reported on the SF-425 report.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$7,344,288

**View of Responsible Official**

See management’s corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

**1694DRNJP00000005 (4/26/07 – 4/26/15), 1867DRNJP00000005 (3/15/10 – 3/15/18), 1889DRNJP00000005 (3/23/10 – 3/23/18), 1897DRNJP00000005, 4021DRNJP00000005 (8/27/11 – 8/27/19), 4033DRNJP00000005 (8/13/11 – 8/15/11), 4039DRNJP00000005 (9/28/11 – 9/28/19), 4048DRNJP00000005 (10/29/11 – 10/29/19), 4070DRNJP00000005 (7/19/12 – 7/19/20), 4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-017 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Federal Funding Accountability and Transparency Act*

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

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

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

**Condition**

The Department has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if

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applicable, and relevant executive compensation data, if applicable. Based on our selection of forty of these subawards for testwork, none of the subawards were reported. The Department did not make a good faith effort to submit the subaward data required under FFATA.

A similar finding was included in the 2014 prior year single audit report as item 2014-015.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

1694DRNJ00000005 (4/26/07 – 4/26/15), 1867DRNJ00000005 (3/15/10 – 3/15/18), 1889DRNJ00000005 (3/23/10 – 3/23/18), 1897DRNJ00000005, 4021DRNJ00000005 (8/27/11 – 8/27/19), 4033DRNJ00000005 (8/13/11 – 8/15/11), 4039DRNJ00000005 (9/28/11 – 9/28/19), 4048DRNJ00000005 (10/29/11 – 10/29/19), 4070DRNJ00000005 (7/19/12 – 7/19/20), 4086DRNJ00000005 (10/26/12 – 10/26/20)

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-018 Reporting**

**Finding Type: Significant Deficiency**

**Criteria**

*Performance Reports*

Recipients may be required to submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information of the following types:

1. A comparison of actual accomplishments with the goals and objectives established for the period.
2. Reasons why established goals were not met, if appropriate.
3. Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

Note: The Federal agencies are moving toward the use of standard performance/progress reporting formats; however, there currently is no specified date for completion of the transition. Currently some agencies/programs are using the Performance Progress Report or the Research Performance Progress Report.

**Condition**

The Department of Law and Public Safety, New Jersey State Police Office of Emergency Management (NJOEM) is the primary agency responsible for the administration of the Hazard Mitigation Grant for the State of New Jersey (the State). In accordance with CFR 206.207, the State is required to develop a plan for the administration of the Hazard Mitigation program for each disaster. Per review of the State of New Jersey, 2015 State Administrative Plans as well as the FEMA-State Agreements, the State is required to submit quarterly progress reports to FEMA indicating the status and anticipated completion date for each project funded under the program. Per the 2015 State Administrative Plan, all quarterly reports are required to be carefully reviewed by NJOEM.

We selected eleven out of forty-four progress reports submitted for the State fiscal year 2015 and noted that none of the reports were appropriately reviewed by NJOEM.

**Cause**

NJOEM does not have controls in place to ensure the progress reports are reviewed prior to being submitted to FEMA.

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**Effect**

The information submitted to FEMA in the quarterly progress report could contain inaccurate information which could affect project extensions.

**Recommendation**

We recommend that the Department implement procedures to ensure that all progress reports are reviewed prior to being submitted to FEMA.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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**Hazard Mitigation Grant (97.039)**

**Grant Award Numbers and Years:**

**1694DRNJP00000005 (4/26/07 – 4/26/15), 1867DRNJP00000005 (3/15/10 – 3/15/18), 1889DRNJP00000005 (3/23/10 – 3/23/18), 1897DRNJP00000005, 4021DRNJP00000005 (8/27/11 – 8/27/19), 4033DRNJP00000005 (8/13/11 – 8/15/11), 4039DRNJP00000005 (9/28/11 – 9/28/19), 4048DRNJP00000005 (10/29/11 – 10/29/19), 4070DRNJP00000005 (7/19/12 – 7/19/20), 4086DRNJP00000005 (10/26/12 – 10/26/20)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-019 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

A pass-through entity is responsible for:

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

*During-the-Award Monitoring*

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

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

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

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

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

#### **Condition**

The Department of Law and Public Safety (the Department) is the agency responsible for administration of the Hazard Mitigation Grant Program (HMGP) in the State of New Jersey (the State). In accordance with CFR 206.207, the State is required to develop a plan for the administration of the Public Assistance program. Per review of the State of New Jersey, State Administrative Plan 2015, the Department is responsible for program monitoring and reporting to verify that projects are being completed and that funds are being spent as reported on sub-grantee performance reports. At a minimum, there will be three primary field inspections of each project; (1) evaluating the application, (2) when approximately 50% of approved funding is to be reimbursed; and (3) a final inspection when the project is complete.

Additionally, the State Administrative Plan 2015 states that monthly performance reports are required of sub-grantees and must contain all information needed for the preparation of the State's quarterly reports to FEMA.

We selected eight subrecipients for testwork and noted that all eight did not have the required field inspections performed. Additionally we noted that the sub-grantees submitted the performance reports quarterly as opposed to monthly and there was no review of the reports that were submitted.

The total amount passed through to the subrecipients for these projects was \$3,779,425.

A similar finding was included in the 2014 prior year single audit report as item 2014-018.

#### **Cause**

The Department was not aware of the requirement in 2014 and corrected action was not implemented in 2015.

#### **Effect**

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

#### **Recommendation**

We recommend that the Department implement procedures to ensure that all field inspections are being performed and that the performance reports are being received, reviewed and approved.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

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**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

**Grant Award Numbers and Years:**

**2014 New Jersey (10/1/13 – 9/30/14), 2015 New Jersey (10/1/14 – 9/30/15)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Transportation**

**Finding: 2015-020 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Reporting*

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

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

**Condition**

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

The Department prepares the Federal financial reports from NJCFIS and is responsible for reconciling the amounts reported on the Federal financial reports to the amounts reported on the SEFA. On an annual basis, OMB requests the Departments to confirm for each Federal program the expenditures and pass-through payments to subrecipients and report any adjustments to the SEFA to ensure the expenditures of each Federal program are accurately reported. The Department did not reconcile the amount of expenditures reported in the SEFA to the Federal financial reports for the fiscal year ended June 30, 2015. The amounts are included in the table below. The different represents an unreconciled amount that could not be substantiated or explained by the Department.

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<u>Federal Financial Report (FFR)</u>	<u>Expenditures Reported per FFR</u>	<u>Expenditures per SEFA</u>	<u>Difference</u>
Federal Reimbursement Voucher (2014-Final)	\$ 11,262,549	\$ 8,460,767	\$ 2,801,782
Federal Reimbursement Voucher (2015-VOU-4)	\$ 1,691,143	\$ 4,890,808	\$ 3,199,665

In addition, our testwork noted the Department did not properly report adjustments to OMB to ensure the SEFA expenditures for the program were accurately stated. Expenditures were reported in NJCFS as pass-through payments and were not coded as personal service expenditures as the underlying details supported. The Department did not report the adjustment for the pass-through payments to OMB to ensure the amounts were properly stated on the SEFA. The amount reported for these expenditures during State fiscal year 2015 was \$56,108, and has been adjusted on the SEFA by OMB.

**Cause**

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

In addition, the Department did not properly evaluate the expenditures reported on the SEFA and communicate changes to pass-through payments to OMB upon the annual SEFA expenditure confirmation process.

**Effect**

The expenditures reported on the SEFA may be incorrect.

The program's pass-through grant expenditures were overstated by \$56,108.

**Recommendation**

We recommend that the Department implement procedures to reconcile the Federal financial reports to the SEFA including policies and procedures to notify OMB of any adjustments that need to be made to the SEFA as a result of the reconciliation of the expenditures to the State's underlying financial records maintained on NJCFS.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

**Grant Award Numbers and Years:**

**2014 New Jersey (10/1/13 – 9/30/14), 2015 New Jersey (10/1/14 – 9/30/15)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Transportation**

**Finding: 2015-021 Allowable Costs/Cost Principles**

**Finding Type: Qualified, Material Weakness**

**Criteria**

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

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

**Condition**

The Office of Highway Traffic Safety (OHTS) within the Department of Law and Public Safety is responsible for the administration of the program. OHTS charges salaries and related fringe benefits to the program for employees who work on the grant.

Of the twenty-five payroll batch transactions selected for testing, fifteen transactions were not supported by timesheets. OHTS also did not ensure that periodic time and effort reports were completed by the employees to validate that the distribution of activity represents a reasonable estimate of the actual work performed by the employees during the periods covered by the reports. Neither the employees nor a supervisor were required to confirm the time and effort expended by the individual working on the grant.

Additionally, for twelve out of the twenty-five fringe benefits transactions, OHTS was unable to provide support for the calculation of the fringe benefits charged to the program.

The total salaries and fringe benefits charged to the program that was administered by OHTS for the fiscal year ended June 30, 2015 was \$2,701,430 and \$572,465, respectively.

**Cause**

OHTS does not have proper controls in place to ensure that employees working on Federal grants prepare and sign certifications and fringe benefit calculations were supported.



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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Effect**

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

**Recommendation**

We recommend that OHTS implement policies and procedures to ensure that periodic time and effort reports are completed for individuals working on Federal grants and support for the fringe benefits charged to the program is maintained.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

**Grant Award Numbers and Years:**

**2014 New Jersey (10/1/13 – 9/30/14), 2015 New Jersey (10/1/14 – 9/30/15)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Transportation**

**Finding: 2015-022 Reporting, Matching, and Earmarking**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

Federal-Aid Reimbursement Voucher (OMB No. 2127-0003)

State and Community Highway Safety (CFDA 20.600) – States are required to contribute at least 20 percent, or the applicable sliding scale rate, as stated in the grant award, of the total cost of the program. States are required to pay at least 50 percent, or the applicable sliding scale rate, as stated in the grant award, of the costs for planning and administration (Indian Nations and Territories are 100 percent federally funded) (23 USC 120(b) and 402(d); 23 CFR section 1200.13(a)).

National Priority Safety Programs (CFDA 20.616) – The States are required to contribute at least 20 percent of the total cost of the program (Indian Nations and Territories are 100 percent federally funded) (23 USC 402(d); 23 CFR section 1200.20(f)).

At least 40 percent of Federal funds apportioned to a State under State and Community Highway Safety (CFDA 20.600) for any fiscal year shall be expended by or for the political subdivisions of the State in carrying out local highway safety programs (23 USC 402(b)(1)(C); 23 CFR part 1200, Appendix E).

The Federal costs for planning and administration under State and Community Highway Safety (CFDA 20.600) shall not exceed 13 percent of the funds received by the State. Indian Nations are exempt from this requirement (23 CFR section 1200.13(a)).

**Condition**

The Department of Law and Public Safety (the Department) is required to submit Federal-Aid Reimbursement Vouchers to U.S. Department of Transportation utilizing the GTS system. For all nine reports selected for testing, supporting documentation was not maintained for the “State/Federal Cost to Date” column.

For one report selected for testing, the supporting documents did not agree to the amount reported in the “Share to Local” column. The amount reported was \$2,359,492 for “Share to Local” while the supporting documents reflected \$2,387,524.

The Department provided a letter from the Division of State Police certifying State funding used, however the letter did not contain a breakdown of areas where State funding was utilized. Since the reports did not include supporting documentation, compliance with the matching and earmarking requirements could not be verified.

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**Cause**

The Department does not have a formal process in place to maintain support that is used to complete the Federal-Aid Reimbursement Voucher.

**Effect**

Inaccurate amounts can be reported to the Federal government.

**Recommendation**

We recommend that the Department implement procedures to ensure that support is maintained for each report submitted to the Federal government.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

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**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

**Grant Award Numbers and Years:**

**2014 New Jersey (10/1/13 – 9/30/14), 2015 New Jersey (10/1/14 – 9/30/15)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Transportation**

**Finding: 2015-023 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*During-the-Award Monitoring*

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

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

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

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

**STATE OF NEW JERSEY**

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

**Condition**

*Award Identification*

The Department of Law and Public Safety’s Division of Alcoholic Beverage Control (ABC) enters into subaward agreements with subrecipients in order to administer the program in the State of New Jersey (the State).

For the one subrecipient selected for testwork, ABC did not communicate the CFDA name and number and award number to the subrecipient. Total funds passed through to this subrecipient during State fiscal year 2015 was \$2,800.

Total funds passed through to subrecipients from ABC during State fiscal year 2015 were \$265,661.

*During-the-Award Monitoring*

The Department of Law and Public Safety’s Office of Highway Traffic Safety (OHTS) enters into subaward agreements with subrecipients and verifies that its projects are being completed and that funds are being spent as reported on sub-grantee performance reports.

For three out of the twenty-three OHTS projects selected for testwork, OHTS did not have the required monitoring reports performed. Total funds passed through to the three subrecipients for these projects during State fiscal year 2015 was \$50,897.

Total funds passed through to subrecipients from OHTS during State fiscal year 2015 were \$ 6,737,776.

Total funds passed through to subrecipients for the program during State fiscal year 2015 were \$7,003,437.

**Cause**

*Award Identification*

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

*During-the-Award Monitoring*

OHTS does not have policies or procedures in place to track the projects that needed monitoring reports completed.

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**Effect**

*Award Identification*

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. This could result in funds not being properly audited at the subrecipient level in accordance with OMB Circular A-133.

*During-the-Award Monitoring*

Projects are not monitored in accordance with the Department's policies.

**Recommendation**

*Award Identification*

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

*During-the-Award Monitoring*

We recommend that OHTS implement procedures to ensure that all monitoring reports are performed in accordance with the Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

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**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

**EMW-2014SS00099 (09/1/14 – 08/31/16), EMW-2013SS00032 (09/1/13 – 08/31/14), EMW2012SS00173 (09/1/12 – 08/31/14), EMW2011SS00120 (09/1/11 – 08/31/14)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-024 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Finding Type: Significant Deficiency**

**Criteria**

*Activities Allowed or Unallowed*

1. *Activities Allowed – General*

- a. Funds may be used to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices. Allowable activities include purchase of needed equipment and provision of training and technical assistance to State and local first responders (42 USC 3714(b)). Funds may be used under the following categories: planning, organization, equipment, training and exercises.
- b. Funds may be used for management and administration (Pub. L. No. 111-83, 123 Stat. 2161), Consolidated Appropriations Act, 2012 (Pub. L. No. 112-74, 125 Stat. 961; Consolidated Appropriations Act, 2013 (Pub. L. No. 113-6, 127 Stat. 358) (see III.G.3.a. for a limitation).

2. *Activities Allowed – FYs 2009 – 2014*

- a. As directed by the Personnel Reimbursement for Intelligence Corporation and Enhancement (PRICE) of Homeland Security Act (Pub. L. No. 110-412), all personnel and personnel-related costs, including those of intelligence analysts and operational overtime, are allowed up to 50 percent of HSGP funding without time limitation placed on the period of time that such personnel can serve.
- b. Critical emergency supplies are an allowable expense under the SHSP and the UASI Program only in furtherance of DHS' mission (applicable Funding Opportunity Announcement).
- c. SHSP funds may be used to support the implementation activities associated with the Western Hemisphere Travel Initiative (WHTI), including the issuance of WHTI-compliant tribal identification cards and driver's license and identification security enhancements (applicable Funding Opportunity Announcement).

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- d. OPSG funds may be used for operational overtime costs associated with law enforcement activities, in support of border law enforcement agencies for increased border security enhancement.

#### 3. *Activities Unallowed – FYs 2009 – 2014*

- a. Funds awarded for law enforcement terrorism prevention activities under SHSP and UASI cannot be used for construction of facilities, except for a minor perimeter security project, not to exceed the greater of \$1,000,000 or 15 percent of the grant award, as determined necessary by the Secretary of Homeland Security. The erection of communication towers, which are included in a jurisdiction's interoperable communications plan, does not constitute construction (Pub. L. No. 110-53; Pub. L. No. 110-161; Pub. L. No. 110-329, Division D; Pub. L. No. 111-83, 123 Stat. 2161; Consolidated Appropriations Act, 2012 (Pub. L. No. 112-74, 125 Stat. 961); Consolidated Appropriations Act, 2013 (Pub. L. No. 113-6, 127 Stat. 358); and Department of Homeland Security Appropriations Act, 2014 (Pub. L. No. 113-76, 128 Stat 262)).

Subject to all applicable laws, regulations, and licensing provisions, projects for the installation of communication towers are typically eligible under the program. Such projects are not considered construction, and, therefore, are, not subject to the otherwise applicable funding limits on construction activities.

- b. HSGP funds may not be used to support the hiring of sworn public safety officers for purposes of fulfilling traditional public safety duties or to supplant traditional public safety positions and responsibilities (6 USC 609(b)(1)(A)).
- c. OPSG funds may not be used for staffing (other than overtime) and general information technology computing equipment and hardware, such as personal computers, faxes, copy machines, and modems (FY 2009-FY 2014 Funding Opportunity Announcements).

#### *Allowable Costs/Cost Principles*

In accordance with OMB Circular A-87, Attachment B, for direct costs to be allowable they must meet the following criteria:

1. General. Direct costs are those that can be identified specifically with a particular final cost objective.
2. Application. Typical direct costs chargeable to Federal awards are:
  - a. Compensation of employees for the time devoted and identified specifically to the performance of those awards.
  - b. Cost of materials acquired, consumed, or expended specifically for the purpose of those awards.
  - c. Equipment and other approved capital expenditures.
  - d. Travel expenses incurred specifically to carry out the award.
3. Minor items. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where such accounting treatment for that item of cost is consistently applied to all cost objectives.



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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Condition**

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety manages the Homeland Security Grant Program (HSGP). Various agencies within the State of New Jersey expend funds from HSGP. All payment vouchers must be reviewed by an authorized individual to ensure that expenditures are allowable.

We selected forty payments to vendors and forty pass through payments to subgrantees to test for activities allowed or unallowed and allowable costs principles. The total amount of vendor and pass through payments for the State fiscal year were \$10,317,882 and \$25,981,719, respectively of which \$2,720,620 and \$6,467,856 were included in our sample. Three of the forty vendor payments and one of the forty pass through payments to subgrantees did not contain evidence of approval. The three vendor payments totaled \$125,762 and the one pass through payment totaled \$130,587.

**Cause**

An authorized individual did not sign the payment vouchers.

**Effect**

Payments to subgrantees and/or vendors may be for an activity that is not allowed or not in accordance with the allowable costs principles.

**Recommendation**

We recommend that the Department strengthen controls over reviewing and approving expenditures to ensure proper approval occurs prior to payment.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

**EMW-2014SS00099 (09/1/14 – 08/31/16), EMW-2013SS00032 (09/1/13 – 08/31/14), EMW2012SS00173 (09/1/12 – 08/31/14), EMW2011SS00120 (09/1/11 – 08/31/14)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-025 Equipment**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Equipment Management*

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

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

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

**Condition**

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

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

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### Schedule of Findings and Questioned Costs

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- 11-19-OMB, Asset Inventory Requirements – this circular defines the minimum requirements for to record and maintain equipment inventory purchases (all equipment with an original cost of \$1,000 or more and an expected life of three (3) years or more). It requires agencies to maintain and update a master inventory listing. Inventory records should include the following information:
  - Description of the asset, including type of item, brand name, model, and serial numbers
  - Acquisition date
  - Cost
  - Purchase order and voucher numbers
  - Inventory number (tag control number and/or serial number)
  - Location (LBAM identification number, address of building, building name, floor, etc.)
  - Name of employee charged with custody
  - Source of the monies from which the asset was required (i.e. Federal grants)

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

We selected forty one equipment transactions for testwork. Included in our sample were purchases made by OHSP, Division of Criminal Justice (DCJ), Division of State Police (DSP), and Office of Information Technology (OIT). Total equipment expenditures for the State fiscal year were \$2,684,678 of which \$332,924 was included in our sample. During our testwork we noted the following:

- For one (DCJ) of the transactions, the supporting documentation detailed the purchases as other than equipment. The expenditure was related to IT support/maintenance, licenses, and other fees and should not have been charged to equipment. Total expenditures charged for this transaction was \$28,447.
- Six (DSP) of the equipment transactions were appropriately recorded in an asset inventory listing, however the items were not provided for inspection to support their existence. Total expenditures for these transactions were \$13,326 and was included in questioned costs below.
- Five (DSP) of the equipment transactions were not listed on an asset inventory listing. Total expenditures for these five transactions were \$90,776.
- Fifteen (OIT) of the transactions represented components used to build radio stations for use in the UASI regions. None of the assets were appropriately recorded in LBAM. The total cost of the components included in our sample were \$167,032.

A similar finding was included in the prior year single audit reports as items 2014-009, 2013-037 and 12-21, respectively.

#### **Cause**

The Department does not have adequate controls in place to ensure equipment is appropriately tracked and recorded in accordance with the State policies.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

\$13,326

**View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

**EMW-2014SS00099 (09/1/14 – 08/31/16), EMW-2013SS00032 (09/1/13 – 08/31/14), EMW2012SS00173 (09/1/12 – 08/31/14), EMW2011SS00120 (09/1/11 – 08/31/14)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-026 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

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

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

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

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**Condition**

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

<b>Grant</b>	<b>Obligation Date</b>	<b>Due Date</b>	<b>Submitted Date</b>
EMW-2014SS00099	September 1, 2014	October 31, 2014	February 19, 2015

Additionally, the Department reported an incorrect amount on the 2011 FFATA report. Per the grant agreement, the award amount was \$49,999,650 and the Department reported \$41,534,540 on the FFATA report, a difference of \$8,465,110.

A similar finding was included in the 2014 prior year single audit report as item 2014-011.

**Cause**

The Department does not have procedures in place to ensure amounts reported on the FFATA reports are accurate or that they submit the reports timely.

**Effect**

The Department did not submit FFATA reports timely for the 2011, 2013, and 2014 grants. The Department did not report the correct amount of the grant on the 2011 report.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

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**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

**EMW-2014SS00099 (09/1/14 – 08/31/16), EMW-2013SS00032 (09/1/13 – 08/31/14), EMW2012SS00173 (09/1/12 – 08/31/14), EMW2011SS00120 (09/1/11 – 08/31/14)**

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Homeland Security**

**Finding: 2015-027 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Financial Reporting*

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

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

**Condition**

The Office of Homeland Security and Preparedness (OHSP), a Division of the Department of Law and Public Safety is responsible for the administration of the Homeland Security Grant Program in the State of New Jersey (the State).

The Office of Management and Budget (OMB), New Jersey Department of Treasury generates the GN12 report titled Federal Grant Analysis Report from the central accounting system, New Jersey Comprehensive Financial System (NJCFIS). The GN12 report is utilized to create the Schedule of Expenditures of Federal Awards (SEFA). In accordance with New Jersey OMB Circular 05-02, OHSP is responsible for reconciling their claims as reported on the Federal Financial Reports (FFRs) to the GN12 report and notify OMB of any differences to ensure that the SEFA reflects accurate expenditures.

We noted OHSP recorded an adjustment during the fiscal year ended June 30, 2015 for \$1.5 million in the federal account on NJCFIS that related to an unallowable transaction for Grant 2008GET80015, whose performance period was September 1, 2008 to August 31, 2013. The final FFR dated May 31, 2013 was appropriately adjusted for the unallowable cost; however, the adjustment was not recorded within NJCFIS until fiscal year 2015. This resulted in an overstatement of expenditures on the SEFA for the fiscal year ended June 30, 2013 and understatement of actual expenditures incurred on the SEFA for the fiscal year ended June 30, 2015. The Division did not report the

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Year ended June 30, 2015

adjustment to OMB and did not timely adjust the federal accounts within NJCFS. No amounts were received from the Federal government as a result of this transaction therefore there were no questioned costs.

**Cause**

OHSP did not reconcile the amount reported on the GN12 detail to what was reported on the FFRs in a timely manner.

**Effect**

The actual expenditures incurred for the program for the fiscal year ended June 30, 2015 on the SEFA are understated by \$1.5 million.

**Recommendation**

We recommend that OHSP implement procedures to timely reconcile expenditures as reported on the FFRs and record adjustments within NJCFS and report any adjustment that impact the SEFA to OMB on a timely basis.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



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Year ended June 30, 2015

**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

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

**Hazard Mitigation Grant (97.039)**

**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

Various

**State Agency: Department of Law and Public Safety**

**Federal Agency: U.S. Department of Transportation**  
**U.S. Department of Homeland Security**

**Finding: 2015-028 Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

Verify that the pass-through entity:

- a. Ensured that the required subrecipient audits were completed. For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were “no audit findings,” the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database (available at <http://harvester.census.gov/sac>) as evidence to verify that the subrecipient had “no audit findings” and that the required audit was performed. This FAC verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity (pursuant to A-133 §\_\_320(e)(2)) when there are no audit findings.
- b. Issued management decisions on audit findings within 6 months after receipt of the subrecipient’s audit report.
- c. Ensured that subrecipients took appropriate and timely corrective action on all audit findings.

**Condition**

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

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

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### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2015

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

During the State fiscal year 2015, five subrecipients were required to submit an OMB Circular A-133 audit report to the Department. We selected a sample of two of the Department's subrecipient audit reports to ensure that the desk reviews were performed timely and management decisions, on audit findings noted during the review, were completed and accurately recorded in the GSA system. We noted that the Department did not receive or perform a desk review of the subrecipients OMB Circular A-133 audit reports. The Department only received the subrecipients annual financial statement audit and utilized that report to perform a desk review. The results of that review were then utilized to update the GSA system incorrectly indicating receipt and review of the subrecipients OMB A-133 audit reports.

#### **Cause**

The Department personnel utilized the financial statement reports submitted by the subrecipients to perform OMB A-133 desk reviews.

#### **Effect**

The Department is not obtaining and reviewing the subrecipients OMB Circular A-133 audit reports and entering the results in the GSA system.

#### **Recommendation**

We recommend that the Department implement procedures to ensure the appropriate reports are submitted by the subrecipients and ensure the OMB A-133 reports are utilized to perform the required desk reviews.

#### **Related Noncompliance**

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

#### **Questioned Costs**

Cannot be determined

#### **View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Unemployment Insurance (17.225)**

**Grant Award Numbers and Years:**

**UI-23907-13-55-A-34 (10/1/13 – 9/30/14), UI-26550-15-55-A-34 (10/1/14 – 9/30/15)**

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

**Federal Agency: U.S. Department of Labor**

**Finding: 2015-029 Other Requirements – Information Technology General Controls**

**Finding Type: Significant deficiency**

**Criteria**

OMB A-133 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control over Federal programs that provides reasonable assurance that they are managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs (OMB Circular A-133, Subpart C, Section 300 (b)).

**Condition**

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

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

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

1. *Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)*
  - Data Center Access is not limited only to individuals that require access to the SAC and OARS server room. OIT shares the SAC data center where critical NJLOOPS systems are held with other State Agencies. During the course of our test work, there were 323 individuals that can access the SAC data center room where servers are housed. Additionally, during the course of our test work, it was noted that 172 individuals have access to the OARS recovery site data center. It was noted that access to the data center server room is not restricted to only those that have assigned responsibilities for which they require access to the data center.

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

#### 2. *Appropriateness of Access*

- Periodic review of end user accounts for appropriateness is not performed for Windows network. This review has not been performed in the past, therefore although controls related to granting and modifying access may be appropriate currently, there is a potential that some users of the system may continue to have access in the network that they no longer require.
- Certain individuals that have access to the development environment also have access to make changes to the production environment in NJLOOPS. Therefore, there is no segregation of duties in this area. Though a review of changed objects is done at year end, there are no change monitoring controls in place.
- Our review of users with administrative access on mainframe ACF2 (underlying Operating System for NJLOOPS) noted one user account belonging to OIT user with the ability to perform transactions within the NJLOOPS application.
- Our review of terminated employees for DLWD with active users on the NJLOOPS application noted two employees with active accounts on NJLOOPS.

#### 3. *Disaster Recovery*

- A Disaster Recovery plan over NJLOOPS is not in place and has not been tested during State fiscal year 2015.

#### 4. *Change Management*

- Our review of NJLOOPS object changes in production noted that one program change did not have evidence of formal documented approval prior to the change being migrated into the NJLOOPS production environment.
- There is no formal documented or routine process in place at DLWD to review changes made to NJLOOPS to ensure that only authorized programs were migrated into production environment after conducting testing and obtaining formal management approvals.

#### 5. *Password settings*

- The password settings corresponding to account lockout parameter on NJLOOPS application was not in line with the password management standard document (State of New Jersey IT Circular No. 14-32-S1-NJOIT)
- A similar finding was included in the 2014, 2013, 2012 and 2011 prior year single audit reports as items 2014-019, 2013-018, 12-35 and 11-1, respectively.

### **Cause**

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

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

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

#### 2. *Appropriateness of Access*

- A user account review was not performed to validate appropriateness of access for end users.
- The system does not enforce segregation of duties, where individuals can only be given access to the development environment or the production environment in NJLOOPS. Individuals can get access at both levels that would enable them to modify and develop code in the development environment and then move that code to production without management review.
- The ACF2 system was not properly configured to enforce Segregation of Duties (SOD) for the administrative user account noted, where this individual from OIT department could perform administrative tasks on mainframe and also had the ability to perform transactions within NJLOOPS.
- The terminated users' accounts were not disabled/deleted from the network in a timely manner.

#### 3. *Disaster Recovery*

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

#### 4. *Change Management*

- Formal approval(s) were not documented and retained for the selected NJLOOPS program change prior to migration into production environment.
- A formal documented process for review of changes to NJLOOPS on a periodic basis has not been established.

#### 5. *Password Settings*

- The account lockout password parameter on the NJLOOPS application was not configured in accordance with the "Password Management Standards" document.

### **Effect**

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

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

#### 2. *Appropriateness of Access*

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

#### 3. *Disaster Recovery*

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

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### Schedule of Findings and Questioned Costs

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#### 4. *Change Management*

- There is a risk of an unauthorized or inappropriate change being migrated into production environment without proper testing or management approval.

#### 5. *Password Settings*

- Weak passwords could lead to unauthorized access to systems.

### **Recommendation**

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

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

#### 2. *Appropriateness of Access*

- We recommend that access reviews be performed periodically to validate that the individuals that maintain access to the system are appropriately maintained based on their current role within the Department/State. In addition, user accounts should be timely disabled or deleted on termination or transfer out of the Department/State.
- We recommend that there be segregation of duties in accounts where the same individuals do not have access to make changes both in the development environment and the production environment.
- We recommend that there be segregation of duties in accounts whereby system administrators do not have the ability to perform transactions within NJLOOPS application.
- We recommend that access for terminated users be disabled from network and relevant applications within one business day of termination.

#### 3. *Disaster Recovery*

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

#### 4. *Change Management*

- We recommend that approvals for all changes to NJLOOPS be formally documented in accordance with the established change management process. In addition, a formal process for periodic review of changed programs in production environment must be established and followed by management to validate that only authorized, tested and approved changes were migrated into the production environment.

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5. *Password Settings*

- We recommend that account lockout parameter on NJLOOPS be configured to be in alignment with the “Password Management Standards” document.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management’s corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)**

**Grant Award Numbers and Years:**

**H126A130043 (10/1/12 – 9/30/14); H126A140043 (10/1/13 – 9/30/15); H126A120043 (10/1/14 – 12/03/15)**

**State Agency: Department of Labor & Workforce Development**

**Federal Agency: U.S. Department of Education**

**Finding: 2015-030 Eligibility, Special Tests and Provisions**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Eligibility*

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

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

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

*Special Tests and Provisions - Completion of IPEs*

When an IPE is required for the provision of VR services under Section 103(a) of the Act, it must be done as soon as possible, but not later than 90 days after the date of the determination of eligibility by the State VR agency, unless the State VR agency and the eligible individual agree to an extension of that deadline to a specific date by which the IPE must be completed (Section 102(b)(3)(F) of the Act (29 USC 722(b)(3)(F))).

**Condition**

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



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For two of the twenty five participants selected for testwork, we noted that the Department did not make the eligibility determinations within the required 60 day timeframe. The determinations were made ranging from 62 to 124 days after receipt of the individual's application. In all cases, the Department was also unable to provide support of any exceptional or unforeseen circumstances beyond their control that would allow for an approved extension of time beyond the 60 days.

A similar finding was included in the 2014 prior year single audit report as item 2014-20.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**SNAP Cluster (10.551, 10.561)**

**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**15151NJ404S2514 (10/1/14 – 9/30/15), 15151NJ451Q3903 (10/1/14 – 9/30/15), 0801NJTANF (10/1/07 – 9/30/08), 0901NJTANF (10/1/08 – 9/30/09), 1001NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502TANF (10/1/14 – 9/30/15)**

**State Agency: Office of Information Technology**  
**Department of Human Services**

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

**Finding: 2015-031 Other Requirements – Information Technology General Controls**

**Finding Type: Significant deficiency**

**Criteria**

OMB A-133 requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control over Federal programs that provides reasonable assurance that they are managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs (OMB Circular A-133, Subpart C, Section 300 (b)).

**Condition**

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

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

1. *Access at the Data Center at HUB and OIT Availability Recovery Site (OARS)*
  - During State fiscal year 2015, there were 284 users ID's that were assigned to individuals with access to HUB Data Center Server Room (houses FAMIS Production Systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks. In addition, all individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms. Additionally, there is an emergency exit door at the far corner which can be opened without an alarm. This door can be unlocked only from inside but no surveillance system is installed in this area.

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- During State fiscal year 2015, there were 297 users ID's that were assigned to individuals with access to the OARS Data Center Server Room (houses FAMIS related backup systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks.

2. *Accountability for Access*

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

3. *Appropriateness of Access*

- Our review of terminated employees for DFD noted that access for one employee was not disabled from FAMIS and Network until two months after termination date.

A similar finding was included in the 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 2014-044, 2013-003, 12-51, 11-15, 10-12, 09-10, 08-44, and 07-8, respectively.

**Cause**

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

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

2. *Accountability for Access*

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

3. *Appropriateness of Access*

- The terminated user's account was not disabled/deleted from the FAMIS application and network in a timely manner.

**Effect**

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

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

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2. *Accountability for Access*

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

3. *Appropriateness of Access*

- Delay in removal of access for terminated individuals could result in not having accountability and inappropriate use of information. Individuals that should not have access to the system may be able to access information that is not intended for them.

**Recommendation**

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

- We recommend that OIT perform the following with regard to access to the Data Center:
  - Provide access to only those individuals that require access based on their job responsibility.
  - Perform reviews of users that can access the Data Center and Server Room on a periodic basis for appropriateness or unauthorized access.
  - Install alarm or surveillance camera system on the emergency exit door.

2. *Accountability for Access*

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

3. *Appropriateness of Access*

- We recommend that user accounts should be disabled or deleted on termination or transfer out of the Department/State in a timely manner.

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**  
**Department of Labor and Workforce Development**

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

**Finding: 2015-032 Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*During-the-Award Monitoring*

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

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

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

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

#### **Condition**

The Department of Human Services, Division of Family Development is the primary recipient of the TANF Cluster (TANF). Through the State Appropriations Act, funding is budgeted to the Department of Labor and Workforce Development (the Department). The Department enters into contracts with various subrecipients in order to administer TANF in the State of New Jersey (the State). The Department's policy is to perform site visits on an annual basis.

During our testwork over TANF, the following were noted:

- For all seven contracts selected for testwork, the Department did not communicate the CFDA name and number and award number to the subrecipients. Total payments to the seven subrecipients were \$11,232,105.
- For one out of the seven contracts selected for testwork, the Department did not provide adequate supporting documents over monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means. Total payments to the one subrecipient was \$50,000.

Total funds passed through to subrecipients from the Department of Labor and Workforce Development during State fiscal year 2015 for the TANF Cluster were \$ 20,247,726.

#### **Cause**

The Department does not have policies and procedures in place to communicate the required Federal award information and applicable compliance requirements to the subrecipients. Also, the Department does not have policies or procedures in place to ensure that it has performed monitoring visits over all of its subrecipients.

#### **Effect**

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have incomplete schedules of expenditures of federal awards in their OMB Circular A-133 Single Audit reports and Federal funds may not be properly audited at the subrecipient level in accordance with OMB Circular A-133. Without monitoring visits, subrecipients may not be in compliance with program requirements.

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**Recommendation**

We recommend that the Department implement policies and procedures to communicate the CFDA and award numbers to all subrecipients. Further, we recommend that the Department strengthen their subrecipient monitoring procedures to ensure site visits are performed over all subrecipients.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

**Department of Labor and Workforce Development**

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

**Finding: 2015-033 Special Tests and Provisions**

**Finding Type: Qualified, Material Weakness**

**Criteria**

***Penalty for Failure to Comply with Work Verification Plan***

The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

**Condition**

The State of New Jersey's (the State) current New Jersey Temporary Assistance for Needy Families Work Verification Plan, approved by U.S. Department of Human and Health Services, became effective on October 1, 2008. The plan specifies the Department of Labor and Workforce Development (the Department) will conduct an annual statewide monitoring review from a random American's One-Stop Operating System (AOSOS) sampling of 5% of the total TANF recipients actively participating in work activities to ensure accuracy of the data utilized in the work participation rates.

Based on our testwork performed, the Department did not perform the annual statewide monitoring review sampling of 5% of active TANF participants as specified in the State Work Verification Plan.

**Cause**

The Department did not perform the annual statewide monitoring review sampling of 5% of active TANF participants as specified in the State Work Verification Plan.

**Effect**

The Department is not properly monitoring the work activities being undertaken by actively participating TANF recipients; therefore their work participation rate may not be accurate.



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**Recommendation**

We recommend that the Department enhance their policies and procedures to include the 5% sampling of actively participating TANF recipients in order to comply with the existing Work Verification Plan.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

**Grant Award Numbers and Years:**

**15B1NJSAPT (10/1/14 – 9/30/15), 14B1NJSAPT (10/1/13 – 9/30/14)**

**State Agency: Department of Human Services**

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

**Finding: 2015-034 Level of Effort and Earmarking**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Level of Effort – Maintenance of Effort*

- a. The State shall for each fiscal year maintain aggregate State expenditures for authorized activities by the principal agency at a level that is not less than the average level of such expenditures maintained by the State for the 2 State fiscal years preceding the fiscal year for which the State is applying for the grant. The “principal agency” is defined as the single State agency responsible for planning, carrying out and evaluating activities to prevent and treat SA and related activities. The Secretary may exclude from the aggregate State expenditures funds appropriated to the principal agency for authorized activities which are of a non-recurring nature and for a specific purpose (42 USC 300x-30; 45 CFR sections 96.121 and 96.134; and *Federal Register*, July 6, 2001 (66 FR 35658) and November 23, 2001 (66 FR 58746-58747) as specified in II, “Program Procedures – Availability of Other Program Information”).
- b. The State must maintain expenditures at not less than the calculated fiscal year 1994 base amount for SA treatment services for pregnant women and women with dependent children. The fiscal year 1994 base amount was reported in the State’s fiscal year 1995 application (42 USC 300x-27; 45 CFR section 96.124(c)).
- c. Designated States shall maintain expenditures of non-Federal amounts for HIV services at a level that is not less than the average level of such expenditures maintained by the State for the 2 year period preceding the first fiscal year for which the State receives such a grant. A designated State is any State whose rate of cases of HIV is 10 or more such cases per 100,000 individuals (as indicated by the number of such cases reported to and confirmed by the Director of the Centers for Disease Control and Prevention for the most recent calendar year for which the data are available.) (42 USC 300x-30; 45 CFR sections 96.128 (b) and (f)).
- d. The State shall maintain expenditures of non-Federal amounts for tuberculosis services at a level that is not less than an average of such expenditures maintained by the State for the 2 year period preceding the first fiscal year for which the State receives such a grant (42 USC 300x- 24; 45 CFR section 96.127).

*Earmarking*

- a. The State shall expend not less than 20 percent of SABG for primary prevention programs for individuals who do not require treatment of SA. The programs should educate and counsel the individuals on such

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abuse and provide for activities to reduce the risk of such abuse by the individuals (42 USC 300x-22; 45 CFR sections 96.124 (b)(1) and 96.125).

- b. Designated States, i.e., any State whose cases of Acquired Immunodeficiency Syndrome (AIDS) is 10 or more per 100,000 individuals (as indicated by the number of such cases reported to and confirmed by the Centers for Disease Control and Prevention for the most recent calendar year for which data are available), shall expend not less than 2 percent and not more than 5 percent of the award amount to carry out one or more projects to make available to individuals early intervention services for HIV disease at the sites where the individuals are undergoing SA treatment. If the State carries out two or more projects, the State will carry out one such project in a rural area of the State unless the Secretary waives the requirement (42 USC 300x-24; 45 CFR section 96.128(a)(1), (b), and (d)). **Note:** The applicable percentage is based on the percent change in a current year allotment to the base year allotment under the Alcohol, Drug Abuse and Mental Health Services (ADMS) Block Grant. Any “designated State” whose percentage change in allotment is greater than 5 percent is required to obligate and expend 5 percent of the SABG allotment for the applicable Federal fiscal year to establish 1 or more projects designed to provide early intervention services for HIV at the site(s) at which individuals are receiving SA treatment.
- c. The State may not expend more than 5 percent of the grant to pay the costs of administering the grant (42 USC 300x-31; 45 CFR section 96.135 (b)(1)).
- d. The State may not expend grant funds for providing treatment services in penal or correctional institutions in an amount more than that expended for such programs by the State for fiscal year 1991 (42 USC 300x-31; 45 CFR section 96.135(b)(2)).

### Condition

#### *Level of Effort – Maintenance of Effort*

The Block Grants for Prevention and Treatment of Substance Abuse program (PTSA) has four distinct maintenance of effort (MOE) requirements that must be observed: a) a statewide MOE calculation; b) a separate calculation for services to individuals with tuberculosis; c) a separate calculation for services to individuals with HIV; and, finally, d) a separate calculation for pregnant women and women with dependent children (PW/WDC). The Department of Human Services, Division of Addiction Services (the Department) is responsible for ensuring compliance over the MOE requirements for PTSA.

For State Fiscal Year 2015, the Department did not meet the MOE requirements for both the statewide MOE calculation and the calculation for services to individuals with tuberculosis. The State Fiscal Year 2015 expenditures for both of these MOE calculations were less than the required calculated amount by \$4,092,517 and \$19,705, respectively.

#### *Earmarking*

The Department does not have proper segregation of duties implemented over the earmarking requirements listed above. The grants analyst prepares the Block Grants for the Treatment and Prevention of Substance Abuse Fund Usage Statement, which details the program’s Federal expenditures, as recorded in the New Jersey Comprehensive Financial System, and assists the Department in monitoring its compliance with the earmarking requirements for PTSA. However, the Department’s personnel whom prepared the Fund Usage Statement was also the person who reviewed the report for accuracy, reasonableness and completeness.

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A similar finding over the earmarking requirement was included in the 2014 prior year single audit report as item 2014-045.

**Cause**

The Department did not monitor the level of expenditures for all MOE requirements to ensure that the appropriate amount of expenditures were being included in the calculation. The Department did not maintain proper segregation of duties for the preparation and review of the Fund Usage Statement, which is used to monitor compliance over the earmarking requirements for PTSA.

**Effect**

The Department did not meet all the level of effort requirements for State Fiscal Year 2015. Also, the Department may not detect areas of noncompliance over earmarking requirements due to improper segregation of duties.

**Recommendation**

We recommend that the Department ensure that expenditures used to meet the level of effort requirements are properly reviewed and monitored during the award period to ensure compliance over such requirements and that proper internal controls over segregation of duties are in place over the preparation and review of the earmarking requirements.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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

**Grant Award Numbers and Years:**

**15B1NJSAPT (10/1/14 – 9/30/15), 14B1NJSAPT (10/1/13 – 9/30/14)**

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

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

**Finding: 2015-035 Suspension and Debarment and Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Subrecipient Monitoring*

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*Suspension and Debarment*

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

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

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#### Condition

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

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

- For three out of twenty-five subrecipients selected for testwork, DCF did not identify to the subrecipient at the time of the award all required Federal award information (i.e., CFDA title and number; award name and number) or provide adequate supporting documents over monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means. Total payments to the three subrecipients were \$347,116.
- For one out of twenty-five subrecipients selected for testwork, there was no suspension and debarment verification included in the contract files to support that DCF verified that the subrecipient was not suspended or debarred. Total payments to the one subrecipient were \$108,476. Through subsequent review of the subrecipient's status in EPLS it was determined that the subrecipient was not suspended or debarred.

A similar finding was included in the 2014 and 2013 prior year single audit reports as items 2014-038 and 2013-012, respectively.

#### Cause

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

#### Effect

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

#### Recommendation

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

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

#### Related Noncompliance

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

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**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**Social Services Block Grant (93.667)**

**Grant Award Numbers and Years:**

**2013G992342 (10/1/12 – 9/30/14), 2014G992342 (10/1/13 – 9/30/15), 2015G992342 (10/1/14 – 9/30/16)**

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

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

**Finding: 2015-036 Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

*During-the-Award Monitoring*

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

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

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

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



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

#### **Condition**

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

During our testwork, the following was noted:

- For all nine CWAs selected, DCF did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Also, for all nine CWA selections no site visit documentation could be provided by DHS. Total funds passed through to these subrecipients during the State fiscal year 2015 were \$4,094,934.

A similar finding was included in the 2014 and 2013 prior year single audit reports as items 2014-040 and 2013-015, respectively.

#### **Cause**

The Department does not have policies or procedures in place to communicate the required Federal award information and applicable compliance requirements to the CWAs. The Department also does not have policies and procedures in place during the award for monitoring their subrecipients.

#### **Effect**

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

#### **Recommendation**

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

#### **Related Noncompliance**

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

#### **Questioned Costs**

Cannot be determined

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**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

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**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)**

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

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

**Finding: 2015-037 Suspension and Debarment and Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Suspension and Debarment*

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

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA) and available at <https://www.sam.gov/portal/public/SAM/>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

*Subrecipient Monitoring (under A-133 guidance)*

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

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#### *During-the-Award Monitoring*

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

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

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

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

#### *Subrecipient Monitoring (under Uniform guidance)*

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

#### **Condition**

The Department of Human Services, Division of Family Development is the primary recipient of the TANF Cluster (TANF). Through the State Appropriations Act, funding is budgeted to the Department of Children and Families (the Department). The Department enters into contracts with various subrecipients in order to administer TANF in the State of New Jersey (the State). The Department's policy is to conduct site visits once during the contract

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### Schedule of Findings and Questioned Costs

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period. Contract periods are on the state fiscal year, federal fiscal year, or calendar year. In response to a prior year finding, the Department implemented a process in March 2015 to collect a certification regarding a subrecipient's suspension and debarment status for all their fiscal year 2015 contracts. In addition, the Department now performs an independent search of ELPS and includes the results of such search within the subrecipient files.

During our testwork over TANF, the following were noted:

- For three out of the twenty contracts selected for testwork, the contracts did not contain a suspension or debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. These contracts were issued during fiscal year 2014 and prior to the implementation of the corrective action as described above. Total funds passed through to these three subrecipients during State fiscal year 2015 were \$379,840.
- Through subsequent review of the vendors' status in EPLS it was determined that none of the three were suspended or debarred.
- For all twenty contracts selected for testwork, the Department did not communicate the CFDA name and number and award number to the subrecipients. Eighteen out of the twenty contracts were under the grant award subject to A-133 guidance and two were issued through the grant award subject to Uniform Guidance. For those issued under the award subject to A-133 guidance, the Department did not communicate the Federal award information. For those issued under the award subject to Uniform Guidance, the Department did not include the Federal award identification number (FAIN), Federal award date, total amount of the Federal award, Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA), name of Federal awarding agency, pass-through entity, and contact information for awarding official, CFDA number and name, identification of whether the award is R&D; and indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs). Total funds passed through to these twenty subrecipients during State fiscal year 2015 were \$2,424,126.
- For three out of the twenty contracts selected for testwork, the Department did not perform the site visits timely. The three contracts were issued through the grant award subject to A-133 guidance. Total funds passed through to these three subrecipients during State fiscal year 2015 were \$224,577.

Total funds passed through to subrecipients from the Department of Children and Families during State fiscal year 2015 for the TANF Cluster were \$19,036,491.

A similar finding was included in the 2014, 2013 and 2012 prior year single audit reports as items 2014-042, 2013-011 and 12-42, respectively.

#### Cause

The Department does not have policies and procedures in place to communicate the required Federal award information and applicable compliance requirements to the subrecipients or to properly monitor the activities. Without monitoring visits, subrecipients may not be in compliance with program requirements. The three suspension and debarment exceptions were related to contracts issued during fiscal year 2014, which was prior to the implementation of the corrective action of the prior year finding.

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**Effect**

Failing to include the Federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also a potential for subrecipients to have incomplete schedules of expenditures of federal awards in their OMB Circular A-133 Single Audit reports and Federal funds may not be properly audited at the subrecipient level in accordance with OMB Circular A-133. In addition, the Department is not properly monitoring its subrecipients for all direct and material compliance requirements. Further, the Department may be entering into subaward agreements with entities that are suspended or debarred.

**Recommendation**

We recommend that the Department implement policies and procedures to communicate all required information to subrecipients. Further, we recommend that the Department strengthen their subrecipient monitoring procedures to ensure timely site visits. We recommend that the Department continue their new procedures in order to verify an entity's suspension and debarment status prior to entering into an agreement.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

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**Child Support Enforcement (93.563)**

**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**1504NJCSSES (10/1/14 – 9/30/15), 1404NJ4005 (10/2/13 – 9/30/14), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

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

**Finding: 2015-038 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

**Condition**

The Department of Human Services, Division of Family Development (the Department), is the primary agency responsible for the administration of the Child Support Enforcement grant for the State of New Jersey (the State). The Department allocates the funds received by the State to the County Welfare Agencies (CWA). Beginning January 1, 2015 the Department was required to follow the Uniform Guidance and 2 CFR section 200.331(a) which states that they must make the subrecipient aware of the following award information: (i) Subrecipient name (which must match registered name in DUNS); (ii) Subrecipient's DUNS number; (iii) Federal Award Identification Number (FAIN); (iv) Federal Award Date; (v) Subaward Period of Performance Start and End Date; (vi) Amount of Federal Funds Obligated by this action; (vii) Total Amount of Federal Funds Obligated to the subrecipient; (viii) Total Amount of the Federal Award; (ix) Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA); (x) Name of Federal awarding agency, pass-through entity, and contact information for awarding official; (xi) CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement; (xii) Identification of whether the award is R&D; and (xiii) Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).

For all of the eight CWAs included in our sample for Child Support Enforcement (CSE) and twelve CWAs included in our sample for TANF, the Department did not include the Federal Award Date, Amount of Federal Funds

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Obligated by this action, Total Amount of Federal Award, Identification of whether the award is R&D, and Indirect cost rate for the Federal award (including if the de minimis rate is charged per § 200.414 Indirect (F&A) costs).

The total amount passed through to the eight CSE subrecipients for fiscal year 2015 was \$21,325,156. The total amount passed through to CSE subrecipients in fiscal year 2015 was \$28,447,507.

The total TANF amount passed through to the twelve subrecipients for fiscal year 2015 was \$ 23,928,512. The total amount passed through to subrecipients from the Department of Human Services for the TANF Cluster in fiscal year 2015 was \$78,030,799.

**Cause**

The Department was not aware of the new requirements related to subrecipient monitoring in accordance with the Uniform Guidance and therefore did not update the subaward letters.

**Effect**

Failing to make the CWAs aware of the award information may cause the subrecipients and their auditors to be uninformed about the award information. In addition, a subrecipient may not be in compliance with Federal regulations, which may result in misuse of funds.

**Recommendation**

We recommend that the Department update the award letters to ensure that they include all required award information as required by 2 CFR section 200.331(a)(1).

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.



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**SNAP Cluster (10.551, 10.561)**

**Grant Award Numbers and Years:**

**15151NJ404S2514 (10/1/14 – 9/30/15), 15151NJ451Q3903 (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

**Federal Agency: U.S. Department of Agriculture**

**Finding: 2015-039 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Federal Funding Accountability and Transparency Act*

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

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

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

**Condition**

The Department of Human Services (the Department) is responsible for the administration of the SNAP Cluster in the State of New Jersey. The Department utilizes the County Welfare Agencies (CWAs) to provide administrative assistance in terms of eligibility determinations, documentation intake and client interactions on behalf of the State. The Department has an obligation to report subaward data as required under the Federal Financial Accountability

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and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not timely report the subaward data as the reports were submitted later than the last day of the month following the month in which the subaward/subaward amendment obligation. The reports submitted for both grants did not tie to the latest amendment of the Grant Award. In addition, the report submitted for grant award 15151NJ451Q3903 did not properly reflect the sub awarded amount. The total amount passed through to subrecipients in fiscal year 2015 was \$92,951,951.

A similar finding was included in the 2014, 2013, and 2012 prior year single audit reports as items 2014-049, 2013-006, and 12-47, respectively.

**Cause**

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

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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**Medicaid Cluster (93.775, 93.777, 93.778)**

**Grant Award Numbers and Years:**

**1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13), 1205NJ5021 (10/1/11 – 9/30/13), 1305NJ5021 (10/1/12 – 9/30/14), 1205NJ5ADM (10/1/11 – 9/30/12), 1305NJ5ADM (10/1/12 – 9/30/13), 1405NJ5ADM (10/1/13 – 9/30/14), 1505NJ5MAP (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

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

**Finding: 2015-040 Special Test and Provisions**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Inpatient Hospital and Long-Term Care Facility Audits*

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

**Condition**

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

In addition, the Department made a decision not to require desk audits to be performed over nursing facility cost reports during State fiscal year 2015, as with State fiscal year 2014. The Department moved to Managed Long Term Service and Support (MLTSS) as of July 1, 2014. Therefore, there was budget language included in the State fiscal year 2015 Appropriations Act provided that fee-for-service rates for nursing facilities be based upon audited cost report data from a prior year. As a result, the fee-for-service rates for State fiscal year 2015 were struck using rates in effect on June 30, 2014. Those rates were used as a base and additional funds were added in accordance with the Fiscal Year 2015 Appropriations Act. The Department did not perform the procedures as required in the State Plan and did not have an approved State Plan Amendment from the Centers for Medicare and Medicaid Services (CMS) during State fiscal year 2015 or 2014 to revise this process.

A similar finding was included in the 2014 prior year single audit report as item 2014-051.

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**Cause**

Based on the budget language included in the State fiscal year 2015 Appropriations Act, the Department decided that no desk audits of cost reports would be required for the nursing facilities during State fiscal year 2015. The Department submitted an amendment to CMS, however the amendment has not yet been approved.

**Effect**

The Department was not in compliance with the requirement due to the amendment not yet being approved.

**Recommendation**

We recommend that the Department have the State Plan Amendment approved prior to making significant changes in practice.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

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**Medicaid Cluster (93.775, 93.777, 93.778)**

**Grant Award Numbers and Years:**

**0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13), 1405NJ5MAP (10/1/13 – 9/30/14), 1505NJ5MAP (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

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

**Finding: 2015-041 Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

A pass-through entity is responsible for:

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

*During-the-Award Monitoring*

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

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

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

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

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

#### Condition

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

The Department's subrecipient monitoring procedures over eligibility determinations and redeterminations at the CWAs relies on reviews performed by the Bureau of Quality Control (BQC). The BQC performed 545 MEQC eligibility reviews for Medicaid benefits paid on behalf of eligible individuals to providers for the period of July 1, 2014 through June 30, 2015 (State fiscal year 2015). BQC also performed 198 targeted reviews requested by the Office of Eligibility, and 241 reviews of cases under the Federal Health Care Laws (FHCL) Pilot Reviews during State fiscal year 2015. The total cases reviewed by the BQC for these various categories were in accordance with the number of cases mandated for review by CMS for the audit period.

As of June 2015, according to the State's internal tracking system, the average redetermination percentage performed was 60.8% across all CWAs. There were 36.8% with no redeterminations done within the last 12 months and 3.4% with no evidence of a redetermination date.

Despite actions taken by the Department to address the prior year findings, we noted for a sample of ninety-five State fiscal year 2015 Medicaid beneficiaries selected for testwork at the CWAs, the following:

- For nine beneficiaries selected for testwork, the CWA was unable to provide the file to support the eligibility determination made. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2015 were \$278,561.
- For one beneficiary selected for testwork, the CWA provided a file, but there was no evidence in the file to support the eligibility determination made. Total Medicaid benefits paid on behalf of this individual during State fiscal year 2015 were \$32,864.
- For two beneficiaries selected for testwork, the file contained a current year redetermination, however the prior redetermination was not made within the required timeframe including consideration for the 12 month waiver period for redeterminations. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2015 were \$179,069.

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### Schedule of Findings and Questioned Costs

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- For seventeen beneficiaries selected for testwork, there was no evidence of a current redetermination of eligibility within the case file, including the consideration of the 12 month waiver period for redeterminations. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2015 were \$909,833.
- For one beneficiary selected for testwork, the file did not contain proof of Social Security number verification or verification of resource limit to support the current redetermination. Total Medicaid benefits paid on behalf of this individual during State fiscal year 2015 was \$30,333.
- For one beneficiary selected for testwork, the file did not contain verification of current income to support the current redetermination. Total Medicaid benefits paid on behalf of this individual during State fiscal year 2015 was \$29,399.

We consider these payments above to be questioned costs. Total program expenditures for Medicaid included on the Schedule of Expenditures of Federal Awards were \$ 9,052,539,183 for State fiscal year 2015.

A similar finding was included in the 2014, 2013, 2012, 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items, 2014-052, 2013-001, 12-1, 11-2, 10-1, 09-1, 08-1, and 07-42, respectively.

#### **Cause**

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

#### **Effect**

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

#### **Recommendation**

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

#### **Related Noncompliance**

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

#### **Questioned Costs**

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

#### **View of Responsible Official**

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

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**TANF Cluster (93.558)**

**Grant Award Numbers and Years:**

**1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

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

**Finding: 2015-042 Eligibility and Subrecipient Monitoring**

**Finding Type: Qualified, Material Weakness**

**Criteria**

*Eligibility*

The State of New Jersey has submitted the State plan to the Secretary outlining how the state intends to conduct the Temporary Assistance for Needy Families program. In accordance with 42 USC 602 (a)(1)(B)(iii), “The document shall set forth objective criteria for the delivery of benefits and the determination of eligibility and for fair and equitable treatment, including an explanation of how the State will provide opportunities for recipients who have been adversely affected to be heard in a State administrative or appeal process.”

Excerpt from New Jersey State Plan for Temporary Assistance for Needy Families:

Families applying for WFNJ cash assistance must comply with certain requirements in order to apply for WFNJ benefits. They must cooperate with child support requirements in order to establish paternity, and obtain, modify, or enforce child support and medical support orders, and, they must assign all rights to child and spousal support to the county agency. Once the family cooperates with child support, the family must agree to cooperate with work requirements. The initial step in the WFNJ work requirement process is registering for work with the OSCC, unless the individual is deferred from the work requirement. Once the family has demonstrated compliance with these requirements, the application process for WFNJ benefits may proceed. As part of the application process, families must:

- Be income and resource eligible,
- Provide all necessary documentation,
- Sign an Agreement to repay benefits in the event of receipt of income or resources,
- Obtain and provide a Social Security Number for all members of the assistance unit, and
- Comply with personal identification requirements, which may employ the use of systems technology processes for the detection of fraud.

When a family fails to comply with any of these requirements at the time of application or redetermination, the entire assistance unit is ineligible for WFNJ benefits. Families determined ineligible as a result of any of the requirements listed may reapply at any time and have their eligibility determined, provided they comply with all requirements.



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An integral part of the ongoing self-sufficiency process for cash assistance recipients is the development of an Individual Responsibility Plan (IRP). This plan serves to identify the mutual obligations of both the participant and the county agency. Included in the plan are steps to be taken by the participant to achieve self-sufficiency, identification of any barriers to employment, and identification of any support services that the agency will provide to assist the family's activities that are geared toward self-sufficiency. The IRP is a living document that is updated each time a participant enters a new activity or at the time of redetermination, in order that changes in family circumstances may be addressed, including the need for supportive services. WFNJ/TANF cases are redetermined for eligibility at least every 12 months.

#### *Subrecipient Monitoring*

A pass-through entity is responsible for:

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

#### *During-the-Award Monitoring*

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

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

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

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

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#### Condition

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

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

- For one beneficiary there was no case file provided by the respective CWA during the audit to support the eligibility determination made. Total TANF benefits paid to this individual during State fiscal year 2015 was \$6,709 and were considered questioned costs as no evidence to support the eligibility for this case was provided during the audit.
- For one beneficiary there was no evidence of a current year redetermination of eligibility in the case file. The State Plan submitted by the State indicates "all WFNJ/TANF cases are redetermined for eligibility at least every 12 months". The State Plan (as referenced in the criteria above) details what is required of applicants upon initial application and at the time of redetermination. In accordance with the State Plan, the State committed to conduct redeterminations of eligibility every 12 months. Total TANF benefits paid to this individual during State fiscal year 2015 was \$4,344 and were considered questioned costs and noncompliance with the requirements outlined by the Department in the State Plan.
- For three beneficiaries the files did not contain any evidence indicating the CWA ensured the beneficiary was in compliance with the child support requirements. According to the State Plan, "Families applying for WFNJ cash assistance must comply with certain requirements in order to apply for WFNJ benefits. They must cooperate with child support requirements in order to establish paternity, and obtain, modify, or enforce child support and medical support orders, and, they must assign all rights to child and spousal support to the county agency. Once the family has demonstrated compliance with these requirements, the application process for WFNJ benefits may proceed". Total TANF benefits paid to these individuals during State fiscal year 2015 were \$35,052 and were considered questioned costs and noncompliance with the requirements outlined by the Department in the State Plan.
- For three beneficiaries the files did not contain proof of U.S. citizenship to support the eligibility determination. According to the State Plan, "only those persons who are either United States citizens or eligible noncitizens shall be eligible for WFNJ/TANF benefits". According to the OMB A-133 compliance supplement, "qualified aliens, as defined in 8 USC 1641(b), are the only non-citizens who may receive a TANF public benefit, as defined in 8 USC 1611(c)". Total TANF benefits paid to these individuals during State fiscal year 2015 were \$23,473 and were considered questioned costs as there was no evidence in the file that supported the CWA verified the beneficiary was a U.S. citizen or eligible noncitizen and

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therefore was not in compliance with the requirements outlined by the Department in the State Plan or the OMB A-133 compliance supplement.

- For one beneficiary the file did not contain proof of SSN to support the eligibility determination. According to the State Plan, “as part of the application process families must obtain and provide a social security number for all members of the assistance unit”. Total TANF benefits paid to this individual during State fiscal year 2015 were \$4,493 and were considered questioned costs and noncompliance with the requirements outlined by the Department in the State Plan.

A similar finding was included in the 2014, 2013, 2012, and 2011 prior year single audit reports as items 2014-043, 2013-002, 12-43, and 11-6, respectively.

**Cause**

Evidence supporting the eligibility determinations and redeterminations were not included in the files at the CWAs or provided during the audit.

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

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

**View of Responsible Official**

See management’s corrective action plan.

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#### TANF Cluster (93.558)

#### Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1402NJTANF (10/1/13 – 9/30/14), 1502NJTANF (10/1/14 – 9/30/15)

State Agency: Department of Human Services

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

**Finding: 2015-043 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

#### Criteria

##### *Federal Funding Accountability and Transparency Act*

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

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

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

#### Condition

The Department of Human Services (the Department) is responsible for the administration of the TANF Cluster in the State of New Jersey (the State). TANF funds are passed through to various other subrecipients to assist in achieving the programmatic goals. The Department has an obligation to report subaward data as required under

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the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable.

- For twenty-four of the twenty-five subawards selected for testwork, the Department submitted the reports between 15 and 291 days late. For one of the twenty-four subawards, the Department did not report to correct amount of the subaward.
- For one of the twenty five subawards selected for testwork, the Department did not report the subaward.

A similar finding was included in the 2014, 2013 and 2012 prior year single audit reports as items 2014-060, 2013-008 and 12-47, respectively.

**Cause**

The Department does not have procedures in place to ensure they report subawards through FSRS accurately and timely.

**Effect**

The Department did not submit FFATA reports accurately or timely.

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

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**Medicaid Cluster (93.775, 93.777, 93.778)**

**Grant Award Numbers and Years:**

**0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13), 1405NJ5MAP (10/1/13 – 9/30/14), 1505NJ5MAP (10/1/14 – 9/30/15)**

**State Agency: Department of Human Services**

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

**Finding: 2015-044 Allowable Costs/Cost Principles**

**Finding Type: Qualified, Material Weakness**

**Criteria**

Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. (OMB Circular A-87, Attachment B.8.h.3)

Substitute systems for allocating salaries and wages to Federal awards may be used in place of activity reports. These systems are subject to approval if required by the cognizant agency. Such systems may include, but are not limited to, random moment sampling, case counts, or other quantifiable measures of employee effort. (OMB Circular A-87, Attachment B.8.h.6)

The New Jersey Medicaid State Plan incorporates *A Guide for ICF/MR - Principles and Procedures for Establishing Cost-Related Per Diem Rate with the New Jersey Department of Human Services (the Guide)*. Section 3.5.5.g.8 of the Guide states the following:

**Support for Salaries and Wages**

Direct charges for professionals must be supported by either an adequate appointment and workload distribution system, accompanied by monthly reviews performed by an individual responsible for change in workload distribution of each professional (i.e., an exception reporting system) or a monthly after-the-fact certification system which will require persons in supervisory position having firsthand knowledge of the services performed to report the distribution of effort (i.e., a positive reporting system). Such reports must account for the total salaried effort of the persons covered. Consequently, a system which provides for the reporting only of effort applicable to Federally sponsored activities is not acceptable.

Direct charges for salaries and wages of nonprofessionals will be supported by the time and attendance and payroll distribution records.

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#### Condition

The Department of Human Services (the Department) is responsible for the operation and maintenance of the State's seven Residential Developmental Centers for Individuals with Developmental Disabilities. The Department has established principles and procedures for establishing cost-related per diem rates for the developmental centers through Attachment 4 of the Medicaid State Plan. Salaries and wages of professionals and nonprofessionals employed at the developmental centers are allocated to the Medicaid program as the majority of ICF/MR individuals served at the development centers are eligible for Medicaid benefits. Timesheets at the developmental centers are prepared on a daily, weekly, or bi-weekly basis depending on the type of employee.

For a sample of forty individuals selected for testwork at the Developmental Centers, the following were noted:

- For one individual the effort certification was 15 months after the time worked.
- For sixteen individuals there was no evidence of timesheets, effort certification, or annual salary information for time worked on the grant.
- For eleven individuals there was no evidence of effort certification for time worked on the grant.
- For twelve individuals the effort certification noted that these individuals did not work on the Medicaid program, however their payroll was charged to the Medicaid program.

Total personal services charged (Federal share) to the seven Residential Developmental Centers for Individuals with Developmental Disabilities was \$ 247,009,907.

A similar finding was included in the 2014 prior year single audit report as item 2014-061.

#### Cause

The Department did not perform monthly reviews or after-the-fact certifications for direct salary and wage charges for professionals. Time and attendance records were not able to be located during audit fieldwork.

#### Effect

Salary and related costs are not appropriately supported by certifications or time and attendance records in accordance with the State Plan.

#### Recommendation

We recommend that the Department ensure adherence to the State Plan to ensure that monthly reviews or after-the-fact certifications are prepared to support direct salary and wage charges for professionals.

#### Related Noncompliance

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

#### Questioned Costs

Cannot be determined

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**View of Responsible Official**

See management's corrective action plan.



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**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Grant Award Numbers and Years:**

**Foster Care: 1402NJ1401 (07/1/14 – 09/30/14), 1402NJ1401 (01/1/15 – 03/31/15) 1502NJFOST (10/1/14 – 12/31/14), 1502NJFOST (01/1/15 – 03/31/15), 1502NJFOST (04/1/15 – 06/30/15)**

**Adoption Assistance: 1402NJ1407 (07/1/14 – 09/30/14), 1402NJ1407 (01/1/15 – 03/31/15), 1502NJADPT (10/1/14 – 12/31/14), 1502NJADPT (01/1/15 – 03/31/15), 1502NJADPT (03/31/15 – 06/30/15)**

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

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

**Finding: 2015-045 Other Requirements – Information Technology General Controls**

**Finding Type: Significant Deficiency**

**Criteria**

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

**Condition**

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

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

1. *Password Settings*
  - A. Password configuration on the AIX Operating System hosting NJSPIRIT application is not in line with the password policy (‘177-01-Password Management standard’, Circular No. 14-32-S1-NJOIT) since the complexity settings (password composition to include upper case characters, lower case characters, etc.) is not configured.

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2. *Appropriateness of Access*

- A. Generic accounts with administrative privileges are used on the AIX Operating System and Oracle database of NJSPIRIT.

A similar finding was included in the 2014 prior year single audit report as item 2014-037.

**Cause**

1. *Password Settings*

- A. The password settings on the AIX Operating System of NJSPIRIT are not properly configured in compliance with the IT policy.

2. *Appropriateness of Access*

- A. There are multiple personnel with access to shared accounts with administrative privileges on the AIX Operating System and Oracle database of NJSPIRIT.

**Effect**

1. *Password Settings*

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

2. *Appropriateness of Access*

A lack of system controls and configuration, as well as inappropriate monitoring of access to data could result in not having accountability, inaccurate data being stored and inappropriate use of information.

**Recommendation**

1. *Password Settings*

We recommend that password parameters on the AIX Operating System of NJSPIRIT be configured to be in alignment with the "Password Management Standards" document.

2. *Appropriateness of Access*

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

**Related Noncompliance**

Not applicable as this is an internal control finding.

**Questioned Costs**

None

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**View of Responsible Official**

See management's corrective action plan.

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

**Employment Service Cluster (17.207, 17.801, 17.804)**

**Highway Planning and Construction Cluster (20.205, 20.219)**

**Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)**

**Aging Cluster (93.044, 93.045, 93.053)**

**Public Health Emergency Preparedness (93.069)**

**TANF Cluster (93.558)**

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

**Homeland Security Grant Program (97.067)**

**Grant Award Numbers and Years:**

**Various**

**State Agency: Department of Community Affairs**

**Federal Agency: U.S. Department of Agriculture**

**U.S. Department of Labor**

**U.S. Department of Transportation**

**U.S. Department of Health and Human Services**

**U.S. Department of Homeland Security**

**Finding: 2015-046 Subrecipient Monitoring**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

Verify that the pass-through entity:

- a. Ensured that the required subrecipient audits were completed. For subrecipients that are not required to submit a copy of the reporting package to a pass-through entity because there were “no audit findings,” the pass-through entity may use the information in the Federal Audit Clearinghouse (FAC) database (available at <http://harvester.census.gov/sac>) as evidence to verify that the subrecipient had “no audit findings” and that the required audit was performed. This FAC verification would be in lieu of reviewing submissions by the subrecipient to the pass-through entity (pursuant to A-133 §\_\_\_320(e)(2)) when there are no audit findings.
- b. Issued management decisions on audit findings within 6 months after receipt of the subrecipient’s audit report.
- c. Ensured that subrecipients took appropriate and timely corrective action on all audit findings.

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#### Condition

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

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

The Department of Community Affairs, Division of Local Government Services (the Division) is a cognizant agency responsible for the performance of the above duties of its subrecipients that receive various Federal awards from the State of New Jersey.

During the State fiscal year 2015, one hundred and forty-three subrecipients were required to submit an OMB Circular A-133 audit report to the Division. We selected a sample of twelve of the Division's subrecipient audit reports to ensure that the desk reviews were performed timely and management decisions, on audit findings noted during the review, were completed and accurately recorded in the GSA system. For two of the twelve OMB Circular A-133 reports and desk reviews selected, the Division did not conduct the desk review within the six month period.

#### Cause

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

#### Effect

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

#### Recommendation

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

#### Related Noncompliance

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

#### Questioned Costs

Cannot be determined

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**View of Responsible Official**

See management's corrective action plan.

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**Housing Voucher Cluster (14.871, 14.879)**

**Grant Award Numbers and Years:**

NJ912VO0566 (8/1/13 – 7/31/14), NJ912VO0570 (10/1/13 – 9/30/14), NJ912VO0596 (5/1/14 – 9/30/14), NJ912VO0574 (1/1/14 – 12/31/14), NJ912VO0575 (1/1/14 – 12/31/14), NJ912VO0576 (1/1/14 – 12/31/14), NJ912VO0577 (1/1/14 – 12/31/14), NJ912VO0578 (1/1/14 – 12/31/14), NJ912VO0579 (1/1/14 – 12/31/14), NJ912VO0580 (1/1/14 – 12/31/14), NJ912VO0581 (1/1/14 – 12/31/14), NJ912VO0582 (1/1/14 – 12/31/14), NJ912VO0583 (1/1/14 – 12/31/14), NJ912VO0584 (1/1/14 – 12/31/14), NJ912VO0585 (1/1/14 – 12/31/14), NJ912VO0586 (1/1/14 – 12/31/14), NJ912VO0587 (1/1/14 – 12/31/14), NJ912VO0591 (1/1/14 – 12/31/14), NJ912VO0592 (1/1/14 – 12/31/14), NJ912VO0593 (1/1/14 – 12/31/14), NJ912VO0597 (1/1/14 – 12/31/14), NJ912VO0598 (2/1/14 – 1/31/15), NJ912VO0599 (2/1/14 – 1/31/15), NJ912VO0600 (2/1/14 – 1/31/15), NJ912FSF008 (1/1/14 – 12/31/14)

**State Agency: Department of Community Affairs**

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

**Finding: 2015-047 Special Tests and Provisions**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Reasonable Rent*

The PHA's administrative plan must state the method used by the PHA to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance, and utilities provided by the owner.

The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract: (a) before any increase in the rent to owner, and (b) at the HAP contract anniversary if there is a five percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

**Condition**

The Department of Community Affairs (the Department) is the primary agency responsible for determining reasonable rent of leases during the term of the HAP contract. The Department must review the PHA's administrative plan in order to determine that the rent to owner is reasonable at the time of the initial leasing and during the term of the contract.

We noted the following from the sample of forty tenants selected for testwork:

- For one tenant selected for testwork, the Department did not fully complete the rent reasonableness certification; the tenant's gross rent was not compared to three other similar size units with comparable amenities, which is required in order to determine if rent is reasonable.

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- For one tenant selected for testwork, the Department did not perform a rent reasonableness certification in State Fiscal Year 2015.

**Cause**

The Department did not properly perform and complete the rent reasonableness certifications.

**Effect**

Rent payments could be made incorrectly to the owner in the given fiscal year.

**Recommendation**

We recommend that the Department strengthen its procedures over rent reasonableness certifications to ensure the appropriate rent amounts are being paid.

**Related Noncompliance**

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

**Questioned Costs**

\$27,000

**View of Responsible Official**

See management's corrective action plan.



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**Housing Voucher Cluster (14.871, 14.879)**

**Grant Award Numbers and Years:**

NJ912VO0566 (8/1/13 – 7/31/14), NJ912VO0570 (10/1/13 – 9/30/14), NJ912VO0596 (5/1/14 – 9/30/14), NJ912VO0574 (1/1/14 – 12/31/14), NJ912VO0575 (1/1/14 – 12/31/14), NJ912VO0576 (1/1/14 – 12/31/14), NJ912VO0577 (1/1/14 – 12/31/14), NJ912VO0578 (1/1/14 – 12/31/14), NJ912VO0579 (1/1/14 – 12/31/14), NJ912VO0580 (1/1/14 – 12/31/14), NJ912VO0581 (1/1/14 – 12/31/14), NJ912VO0582 (1/1/14 – 12/31/14), NJ912VO0583 (1/1/14 – 12/31/14), NJ912VO0584 (1/1/14 – 12/31/14), NJ912VO0585 (1/1/14 – 12/31/14), NJ912VO0586 (1/1/14 – 12/31/14), NJ912VO0587 (1/1/14 – 12/31/14), NJ912VO0591 (1/1/14 – 12/31/14), NJ912VO0592 (1/1/14 – 12/31/14), NJ912VO0593 (1/1/14 – 12/31/14), NJ912VO0597 (1/1/14 – 12/31/14), NJ912VO0598 (2/1/14 – 1/31/15), NJ912VO0599 (2/1/14 – 1/31/15), NJ912VO0600 (2/1/14 – 1/31/15), NJ912FSF008 (1/1/14 – 12/31/14)

**State Agency: Department of Community Affairs**

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

**Finding: 2015-048 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

HUD-50058, *Family Report (OMB No. 2577-0083)* – 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 (24 CFR part 908 and 24 CFR section 982.158).

*Key Line Items* – The following line items contain critical information.

- a. Line 2a – *Type of Action*
- b. Line 2b – *Effective Date of Action*
- c. Line 3b, 3c – *Names*
- d. Line 3e – *Date of Birth*
- e. Line 3n – *Social Security Numbers*
- f. Line 5a – *Unit Address*
- g. Line 5h, 5i – *Unit Inspection Dates*
- h. Line 7i – *Total Annual Income*
- i. Lines 2k and 17a – *Family’s Participation in the Family Self Sufficiency (FSS) Program*
- j. Line 17k (2) – *FSS Account Balance*

**Condition**

The Department of Community Affairs (the Department) is the primary agency responsible for the administration of the Section 8 Housing Choice Voucher. The Department is responsible for verifying the tenant’s information from supporting documentation and properly inputting specific information into the HUD-50058 Family Report.

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Schedule of Findings and Questioned Costs

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

- For one tenant selected for testwork, the unit passed inspection date per HUD-50058 was 11/22/2014, whereas the date per the inspection report was 4/28/2015. (Key Line item 5h and 5i)
- For one tenant selected for testwork, the unit passed inspection date per HUD-50058 was 1/19/2015, however there was no evidence of a passed inspection checklist within the supporting documentation. (Key Line item 5i)

**Cause**

The Department did not properly review the most current state fiscal year HUD-50058. The Department did not review the supporting documentation that related to the information on the report.

**Effect**

The HUD-50058 forms could be completed incorrectly on behalf of the tenant in the given fiscal year.

**Recommendation**

We recommend that the Department strengthen its procedures over properly preparing and reviewing HUD-50058 reports to ensure the appropriate information is submitted.

**Related Noncompliance**

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

**Questioned Costs**

\$6,144

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228)**

**Grant Award Numbers and Years:**

**B-14-DC-34-001 (effective 7/1/14), B-12-DT-34-001 (effective 8/27/11), B-13-DC-34-001 (effective 7/1/13), B-11-DN-34-0001 (effective 3/7/11), B-08-DN-34-001 (effective 3/9/09)**

**State Agency: Department of Community Affairs**

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

**Finding: 2015-049 Reporting**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, (OMB No. 2529-0043) – Each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information using the Section 3 Summary Reporting System (24 CFR sections 135.3(a)(1) and 135.90).

Form HUD 60002 has been automated for electronic submission. A new system was launched December 2013 but has been offline to address technical difficulties since January 2014. The status of the system is available at the Section 3 Reporting System status area at <http://www.hud.gov/section3>.

*Key Line Items* – The following line items contain critical information:

- a. 3. Dollar Amount of Award
- b. 8. Program Code
- c. Part I, Column C – Total Number of New Hires that are Sec. 3 Residents
- d. Part II, Contracts Awarded, 1. Construction Contracts
  - (1) A. Total dollar amount of construction contracts awarded on the project
  - (2) B. Total dollar amount of construction contracts awarded to Section 3 businesses
  - (3) D. Total number of Section 3 businesses receiving construction contracts
- e. Part II, Contracts Awarded, 2. Non-Construction Contracts
  - (1) A. Total dollar amount of all non-construction contracts awarded on the project/activity
  - (2) B. Total dollar amount of non-construction contracts awarded to Section 3 businesses
  - (3) D. Total number of Section 3 businesses receiving non-construction contracts

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Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Condition**

The Department of Community Affairs (the Department) is responsible for maintaining supporting documents that are used to create the performance reports.

We noted that the supporting schedule and worksheet provided by the Department for one agency for the HUD 60002 (Section 3 Summary Reports) related to State fiscal year 2015 did not tie to what was reported to the Federal government. The amounts reported for construction contract A was \$500,000, construction contract B was \$300,000, non-construction contract A was \$400,000, and non-construction contract B was \$200,000, while the supporting schedule and worksheet reflected \$0 for all construction contracts.

**Cause**

The Department had incorrectly reported Part II of the Section 3 report for one agency.

**Effect**

The information reported in the HUD 60002 (Section 3 Summary Reports) is not accurate.

**Recommendation**

We recommend that the Department strengthen the preparation and review procedures to ensure that accurate data is reported on the HUD 60002 (Section 3 Summary Reports).

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228)**

**Grant Award Numbers and Years:**

**B-14-DC-34-001 (effective 7/1/14), B-12-DT-34-001 (effective 8/27/11), B-13-DC-34-001 (effective 7/1/13), B-11-DN-34-0001 (effective 3/7/11), B-08-DN-34-001 (effective 3/9/09)**

**State Agency: Department of Community Affairs**

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

**Finding: 2015-050 Reporting**

**Finding Type: Qualified, Material Weakness**

**Criteria**

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

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

***Performance and Evaluation Report (PER)***

This report is due from each State CDBG grantee within 90 days after the close of its program year. Submission of the PER is done using the instructions in Notice CPD-11-03 ([http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/administration/hudclips/notices/cpd#2011](http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/notices/cpd#2011)), until HUD advises State CDBG grantees to submit their PERs through the electronic Consolidated Plan template. Among other factors, the report is to include a description of the use of funds during the program year and an assessment of the grantee's use for the priorities and objectives identified in its plan. The auditor is expected to test only the financial data in this report (24 CFR sections 91.520 (a) and (c)).

**Condition**

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

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The Department prepares the Federal financial reports from NJCFS and is responsible for reconciling the amounts reported on the federal financial reports to the amounts reported on the SEFA. On an annual basis, OMB requests the Departments to confirm for each Federal program the expenditures and pass-through payments to subrecipients and report any adjustments to the SEFA to ensure the expenditures of each Federal program are accurately reported. DCA did not reconcile the amount of expenditures reported in the SEFA to the Federal financial reports for the fiscal year ended June 30, 2015. The amounts are included in the table below. The different represents an unreconciled amount that could not be substantiated or explained by the Department.

<u>Program</u>	<u>Federal Financial Report (FFR)</u>	<u>Expenditures Report per FFR</u>	<u>Expenditures per SEFA</u>	<u>Difference</u>
Community Development Block Grants/State's Program	PER related to Small Cities	7,126,593 <sup>(a)</sup>	\$ 5,860,086	1,266,507

(a) The PER related to Small Cities is on a cumulative basis, therefore the expenditures per the FFR were calculated by taking the total expenditures from the PER submitted for the federal fiscal year ending September 30, 2013 for the respective grant and deducting the total expenditures from the PER submitted for the federal fiscal year ending September 30, 2014 for the respective grant.

**PER**

The Department prepares the PER on an annual basis. The Department is responsible for maintaining supporting documents that are used to create the financial report which is submitted to the Federal government.

We noted that the Department was not able to provide sufficient supporting schedules and worksheets for the PER submitted to the Federal Government during State fiscal year 2015.

A similar finding was included in the 2014 prior year single audit report as item 2014-005.

**Cause**

The Department does not have a process in place to reconcile the federal financial reports to the SEFA and did not maintain supporting documentation used in the creation of the PER report.

**Effect**

The information reported to the Federal government may not be accurate.

**Recommendation**

We recommend that the Department implement procedures to reconcile the federal financial reports to the SEFA and strengthen its procedures over properly preparing and maintaining supporting documentation used to create the PER annual report.

**Related Noncompliance**

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

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (14.269)**

**Grant Award Number and Year:**

**B-13-DS-34-001(effective 10/30/12)**

**State Agency: Department of Community Affairs**

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

**Finding: 2015-051 Suspension and Debarment**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

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

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

**Condition**

We noted for a sample of eight subrecipients selected for testwork, all of which were other governmental entities, the contract did not contain a suspension or debarment certification, nor did the Department verify on the Excluded Parties List System (EPLS) and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. Total funds passed through to these subrecipients during State fiscal year 2015 were \$208,507,902.

We also noted for a sample of thirty two transactions related to sixteen vendors selected for testwork, the Department did not verify on the EPLS and document such review to ascertain that the vendor was neither suspended nor debarred prior to entering into the covered transactions with them. Total funds expended related to these vendors during State fiscal year 2015 were \$6,128,032.

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

A similar finding was included in the 2014 prior year single audit report as item 2014-007.



**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

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**Cause**

The Department is not following its policies and procedures to ensure a subrecipient or vendor is not suspended or debarred prior to entering into a subaward agreement.

**Effect**

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

**Recommendation**

We recommend that the Department strengthen their policies and procedures to ensure that subrecipients and vendors are not suspended or debarred prior to entering into a subaward agreement.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

**Federal Family Education Loan Program (84.032)**

**Grant Award Number and Year:**

**Not applicable**

**State Agency: Higher Education Student Assistance Authority**

**Federal Agency: U.S. Department of Education**

**Finding: 2015-052 Special Tests and Provisions**

**Finding Type: Noncompliance, Significant Deficiency**

**Criteria**

*Federal Reinsurance Rate*

The applicable Federal reinsurance rate for a loan depends on the amount of reinsurance claims paid to the guaranty agency during the year and the date the loan was made (34 CFR sections 682.404(a) and (b)).

In most cases, for loans made prior to October 1, 1993, when the total amount of reinsurance claims paid to the guaranty agency during a fiscal year is less than five percent of the amount of loans in repayment at the end of the preceding fiscal year, reinsurance is paid for 100 percent of the guaranty agency's losses. When the total amount of reinsurance claims paid to the guaranty agency during a fiscal year reaches five percent of the amount of loans in repayment at the end of the preceding fiscal year, the reinsurance subsequently paid to the guaranty agency during that fiscal year, drops to 90 percent. When the amount of claims reaches nine percent, the reinsurance drops to 80 percent. The reinsurance rate is 100 percent for loans: (1) made under an approved lender-of-last resort program, (2) transferred under a plan to transfer guarantees from an insolvent guaranty agency approved by ED, or (3) meeting the definition of exempt claims (34 CFR sections 682.404(a)(1)(iii) and (a)(2)(iii)).

For loans made from October 1, 1993 to September 30, 1998, the regular reinsurance rates drop to 98/88/78 percent, respectively. For loans made on or after October 1, 1998 the respective rates are 95/85/75 percent (Section 428(c)(1) of the HEA (20 USC 1078(c)(1)).

The Secretary uses the annual ED Form 2000 report for the previous September 30 to calculate the amount of loans in repayment at the end of the preceding fiscal year (34 CFR sections 682.404(a), (b), and (c)).

Past problem areas have been:

Guaranty agencies have:

- Not established systems to verify a student's loan status with lender and school data through a reliable audit trail.
- Established systems to determine loan status that rely on loan characteristic analysis or assumptions that are not adequately tested or verified.
- Not established adequate procedures to ensure that lenders report and agencies properly record loans paid in full.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

- Not established adequate procedures to ensure that there is a system to reconcile the guaranty agency's repayment conversion dates to the lender's repayment conversion dates.

#### **Condition**

The Higher Education Assistance Authority (the Authority) is the guaranty agency established by the State of New Jersey to guarantee student loans made by lenders and perform certain administrative and oversight functions under the Federal Family Education Loans (FFEL) program. The U.S. Department of Education (DOE) provides reinsurance to the guaranty agency.

We selected forty outstanding loans from the Authority's loan system and sent confirmations to the lender holding each loan. For one of the forty loans selected, the amount confirmed by the lender was \$222,949 and the amount on the Authority's loan system was \$299,256 a difference of \$36,307 was noted. It was determined the lender reported a consolidation add-on to the Authority twice for the same loan. The two add-ons reported had two separate interest rates, leading the Authority to believe that the lender was reporting two separate add-ons and therefore the Authority recorded the amount twice in their loan system. As a result of the audit confirmation further investigation was performed by the Authority and it was determined the amount was recorded twice in error by the Authority. The procedures in place at the Authority did not identify this error.

#### **Cause**

The Authority's procedures did not identify reporting errors of their lender.

#### **Effect**

Loan amounts reported to the DOE on ED Form 2000 may not be accurate and subsequently the amount of reinsurance claims paid to the Authority by DOE may not be correct.

#### **Recommendation**

We recommend that the Authority strengthen its procedures over reconciling the amounts reported by the lenders to the amount recorded on the Authority's loan system.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

#### **View of Responsible Official**

See management's corrective action plan.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
(Unaudited)

**STATE OF NEW JERSEY SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015  
VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<p><b>State of New Jersey Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> State Agency: Department of the Treasury</b></p>		
<p><b><i>Financial Statement Reporting</i></b></p>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-001 2014-001	Please refer to the Management Response included within the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .	<b>Michael Griffin – Treasury OMB (609) 984-9611</b>
<p><b>Social Services Block Grant (93.667) State Agency: Department of the Treasury Federal Agency: Department of Health and Human Services</b></p>		
<p><b><i>Subrecipient Monitoring</i></b></p>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-002 2014-036	<p>Corrective action for this repeat finding from the prior fiscal year 2014 audit was not implemented until March 1, 2015, eight months into the current audit period. The audit report cited in this year’s finding as received late without follow-up communication was due and received prior to the March 1, 2015 corrective action implementation date.</p> <p>As of March 1, 2015 the New Jersey State Office of Legal Services now documents all contact with subrecipients regarding delinquent audit report submissions. The initial contact attempt is made via email, followed by telephone contact that is logged as to date and time. This documentation is now maintained for future reference. Failure by the subrecipient to respond to these notices may result in referral to each funding agency for further action and possible sanctions. It is anticipated that this audit finding will not be repeated under the FY 2016 audit.</p>	<p><b>March 1, 2015</b></p> <p><b>Rafael Aviles - Treasury (609) 292-6262</b></p>
<p><b>Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation</b></p>		
<p><b><i>Reporting</i></b></p>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-003 2014-035	<p>The Department of Transportation (NJDOT) recognized that the subaward amounts were incorrectly reported and has been working cooperatively with the federal officials responsible for <a href="http://www.USAspending.gov">www.USAspending.gov</a> to correct all records.</p> <p>At this time, NJDOT expects that nearly all records have been corrected to report subawards as required.</p> <p>NJDOT is currently developing and refining procedures to ensure subawards are properly reported in the future based on the new understanding of the requirements and reporting process.</p>	<p><b>May 1, 2016</b></p> <p><b>Dave Kuhn – NJDOT (609) 530-3855</b></p>

<sup>1</sup> Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT  
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VIEWS OF RESPONSIBLE OFFICIALS  
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<p><b>Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)</b>  <b>State Agency: Department of Health</b>  <b>Department of Children and Families</b>  <b>Federal Agency: U.S. Department of Health and Human Services</b></p>		
<p><i>Suspension and Debarment</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-004 No finding in prior year	The Department of Children and Families (DCF) will continue with our new procedures, which entail collecting a certification regarding subrecipients suspension and debarments status as well as performing an independent search of the Excluded Parties List System (EPLS), in order to verify an entity's suspension and debarment status prior to entering into an agreement.	<b>Fiscal Year 2016</b>  <b>Karen Baldoni - DCF</b> <b>(609) 888-7333</b>
<p><b>HIV Care Formula Grants (93.917)</b>  <b>State Agency: Department of Health</b>  <b>Federal Agency: U.S. Department of Health and Human Services</b></p>		
<p><i>Subrecipient Monitoring</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-005 No finding in prior year	The Division of HIV, STD, and TB Services subrecipient monitoring staff is reduced due to several recent retirements/transfers that has left shortages to conduct adequate and required program/fiscal grant monitoring. New hires are currently in process and interviews have been conducted. Once final approval to hire is received, a plan will be formulated to conduct the site visits in question. The Division has set this as a priority and is currently reviewing staffing requirements.	<b>July 1, 2016</b>  <b>Loretta Dutton – DOH</b> <b>(609) 292-6078</b>
<p><b>Special Supplemental Nutrition Program for Women, Infants and Children (10.557)</b>  <b>Public Health Emergency Preparedness (93.069)</b>  <b>Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)</b>  <b>HIV Care Formula Grants (93.917)</b>  <b>State Agency: Department of Health</b>  <b>Federal Agency: U.S. Department of Agriculture</b>  <b>U.S. Department of Health and Human Services</b></p>		
<p><i>Subrecipient Monitoring</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-006 No finding in prior year	The Department of Health (DOH) is revising its grant award form to include the required Federal grant information. The Department will require granting agencies to identify the following statement in Box 14 of the DOH Notice of Grant Award, which is part of the Department's standard subaward agreement, for all Federal subawards: "The New Jersey Department of Health is a pass-through entity for the following Federal Award: CFDA No. XX.XXX, CFDA TITLE; Federal Award No. XXXXXXXXXXXX, Award Date: XX/XX/XXXX, Award Name: TITLE, Awarding Agency: NAME."	<b>July 1, 2016</b>  <b>William Jaeger – DOH</b> <b>(609) 633-6067</b>

<sup>1</sup> Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015  
VIEWS OF RESPONSIBLE OFFICIALS  
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<p><b>Special Supplemental Nutrition Program for Women, Infants and Children (10.557)</b>  <b>Public Health Emergency Preparedness (93.069)</b>  <b>Immunization Cooperative Agreements (93.268)</b>  <b>Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (93.505)</b>  <b>State Agency: Department of Health</b>  <b>Federal Agency: U.S. Department of Agriculture</b>  <b>U.S. Department of Health and Human Services</b></p>		
<i>Reporting</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-007 2014-027 2013-021 12-26 11-45	The Grant Unit recently completed training of all divisions on FFATA reporting requirements. The Grants Unit will outline proper reporting procedures in accordance with the subaward reporting requirements of Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) in a new Financial Management Circular.	<b>July 1, 2016</b>  <b>William Jaeger – DOH</b> <b>(609) 633-6067</b>
<p><b>National Guard Military Operations and Maintenance (O&amp;M) Projects (12.401)</b>  <b>State Agency: Department of Military and Veterans Affairs</b>  <b>Federal Agency: U.S. Department of Defense</b></p>		
<i>Allowable Costs/Cost Principles</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-008 2014-024	The Department of Military and Veterans Affairs (DMAVA) Human Resources Division revised the time sheets used by the department to reflect CFDA 12.401 and 12.404 and the applicable Master Cooperative Agreement (MCA) Appendix for assigned personnel to reflect and certify compliance to Federal regulations for grant time and effort reporting. This corrective action went into effect with the calendar year 2015, pay period 5 (FY15) payroll. The personnel assigned to federally reimbursed personnel did not use these. On 12/15/15, Human Resources re-sent the revised timesheets to the section timekeepers and all supervisors involved stating that personnel must use the revised timesheets immediately.	<b>December 15, 2015</b>  <b>Cindy Leese – DMAVA</b> <b>(609) 530-7056</b>
<p><b>National Guard Military Operations and Maintenance (O&amp;M) Projects (12.401)</b>  <b>State Agency: Department of Military and Veterans Affairs</b>  <b>Federal Agency: U.S. Department of Defense</b></p>		
<i>Suspension and Debarment</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-009 2014-025	The DMAVA Construction Facility Management Office devised a check sheet to be completed for each new contract which indicates/certifies that the vendor/contractor was checked against the NJ Suspended/Debarred list noting noninclusion. Although this was a routine contracting practice, the absence of documentation resulted in this finding. The new checklist format was put into effect on January 26, 2015. Test samples for contracts dated prior to this date will not contain the corrective documentation.	<b>January 26, 2015</b>  <b>COL Michael Lyons – DMAVA</b> <b>609-530-6960</b>

<sup>1</sup> Current and prior year finding number(s)

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<b>National Guard Military Operations and Maintenance (O&amp;M) Projects (12.401)</b> <b>State Agency: Department of Military and Veterans Affairs</b> <b>Federal Agency: U.S. Department of Defense</b>		
<i>Procurement</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-010 No finding in prior year	A memorandum has been prepared and circulated to all personnel authorized to procure material or services informing/reminding them of the necessity to abide by existing procurement requirements, especially as it applies to Emergency Purchasing Requirements for Delegated Purchasing Authority (DPA) outlined in NJ Treasury Circular Letter 11-10-DPP. The memorandum emphasizes that purchase documents must be accompanied by a justification memo describing the emergency which required suspension of normal purchase procedures.	<b>February 5, 2016</b>  <b>Michael Clancy – DMAVA (609) 530-6918</b>
<b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-011 2014-012 2013-035	The New Jersey Department of Law and Public Safety (DLPS) continues to work with the New Jersey Department of the Treasury, Division of Purchase and Property, to amend the current state contract with MB3. The amendment will require MB3 to obtain an annual audit in accordance with Statement on Standards for Attestation Engagements (SSAE) No. 16; Reporting on Controls at a Service Organization. Once the amendment is in place, MB3 will be required to complete the needed audit on a State fiscal year basis. Expected completion timeframe of this contract amendment is by the end of calendar year 2016.	<b>December 31, 2016</b>  <b>Kathlyn Bender – OAG (609) 984-6936</b>
<b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-012 No finding in prior year	All SF-425 reports for fiscal year 2015 were corrected on November 18, 2015 during the audit fieldwork. The Recovery Bureau has strengthened its procedures to ensure reports are verified by adding a third level of review to its process. The new process will be for the Accountant to prepare the reports, the Administrative Analyst to review them, and the Unit Head will review and approve the reports prior to their submission. This third level of review and approval was implemented for the quarter ending December 31, 2015.	<b>December 31, 2015</b>  <b>Sal Marcello – NJSP (609) 882-2000</b>
<b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		

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FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-013 2014-013	The current process requires the State to receive Federal Funding and Accountability Transparency Act (FFATA) information before payments can be submitted. The applicants complete the FFATA information in the NJEMGrants system. The Office of the Attorney General is responsible for entering FFATA information into the FFATA Subaward Reporting System (FSRS). MB3 has been modified to export all data necessary for FFATA's into a report. This report is forwarded to the Office of the Attorney General Grants Unit for entry into FSRS.	<b>December 31, 2016</b>  <b>Alyson Gush – OEM (609) 882-2000</b>
<b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>  <i>Allowable Costs/Cost Principles</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-014 No finding in prior year	The Recovery Bureau views this as a one-time error and not a systemic failure in a grant program that processed over \$200 million in fiscal year 2015. The Recovery Bureau corrected the error and will implement a stricter review process for the breakdown of expenses by having the Administrative Analyst review and approve the Accountant's prepared breakdown.	<b>December 31, 2015</b>  <b>Sal Marcello – NJSP (609) 882-2000</b>
<b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>  <i>Allowable Costs/Cost Principles</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-015 2014-017	Corrective actions have been implemented for this audit finding. As of January 1, 2015 all employees have been entered into the EDaily system so this condition no longer exists.	<b>January 1, 2015</b>  <b>SFC Michael Gallagher – NJSP (609) 882-2000</b>
<b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>  <i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-016 No finding in prior year	All reports for fiscal year 2015 were corrected on November 18, 2015 during the audit fieldwork. The Recovery Bureau has strengthened its procedures to ensure reports are verified by adding a third level of review to its process. The new process will be once the Accountant prepares the reports, the Administrative Analyst will review them, and then the Unit Head will review and approve the reports. This third level of review and approval was implemented for the quarter ending December 31, 2015.	<b>December 31, 2015</b>  <b>SFC Michael Gallagher – NJSP (609) 882-2000</b>

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<b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-017 2014-015	Going forward, all Hazard Mitigation Grant Program (HMGP) DR4086 recipients and new recipients who receive \$25,000 or more in federal funds will complete the FFATA document on the NJEmgrants.org website. Recipients from prior HMGP awards who received \$25,000 or more will be sent the FFATA document to be completed and submitted prior to final payment.	<b>December 31, 2015</b>  <b>SFC Michael Gallagher – NJSP (609) 882-2000</b>
<b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-018 No finding in prior year	The Mitigation Unit is responsible for program reporting to verify that projects are being completed and that funds are being spent as reported by the subgrantee. Quarterly progress reporting is required by FEMA and all HMGP State Administrative Plans. The Mitigation Unit currently has 14 members, each assigned to specific regions in the State that allows for closer monitoring of grant activities. Going forward, each member will sign off on all quarterly reports received if there was a reimbursement processed during that quarter. The NJEmgrants.org meetings module went live on March 1, 2016. HMGP is now utilizing the system to review and accept Mitigation Quarterly reports, which will be reviewed and accepted by a Mitigation Project Manager.	<b>March 1, 2016</b>  <b>SFC Michael Gallagher – NJSP (609) 882-2000</b>
<b>Hazard Mitigation Grant (97.039)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Subrecipient Monitoring</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-019 2014-018	The Mitigation Unit is responsible for program monitoring to verify that projects are being completed and that funds are being spent as reported on subgrantee's quarterly reports. The Mitigation Unit currently has 14 members, each assigned to specific regions in the State that allows for closer monitoring of grant activities. An amendment request was sent to FEMA on February 12, 2016 to remove the monthly reporting requirement and the site visit requirement from all HMGP State Administrative Plans, as these activities are not required by FEMA. FEMA approved this amendment request on March 14, 2016. Site visits will now be performed on a risk basis. Site visits for projects whose Federal award is over \$250,000 will be signed off by a Mitigation Unit Manager. Sub-recipients who have been problematic in the past will receive a site visit as frequently as determined by the State Hazard Mitigation Officer. These site visits will be signed off by a Mitigation Unit Manager.	<b>March 14, 2016</b>  <b>SFC Michael Gallagher – NJSP (609) 882-2000</b>
<b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b>		

<sup>1</sup> Current and prior year finding number(s)

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<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-020 No finding in prior year	The Division of Highway Traffic Safety (DHTS) will be working closely with the Office of the Attorney General (OAG) in order to properly reconcile the federal financial reports to the Schedule of Expenditures of Federal Awards (SEFA). Starting with fiscal year 2016, all divisions will be required to submit a reconciliation of their federal expenditures to OAG as proof that the amounts have been tied out. In the past, only a statement of agreement was necessary. This reconciliation will be forwarded to OMB for adjustment to the SEFA where needed.	<b>September 30, 2016</b>  <b>Gary Poedubicky – DHTS (609) 633-9014</b>
<b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b>		
<i>Allowable Costs/Cost Principles</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-021 No finding in prior year	Starting with fiscal year 2016, DHTS will maintain better records of all time and effort reports, as well as backup for all payroll transactions and fringe calculations.	<b>June 30, 2016</b>  <b>Gary Poedubicky – DHTS (609) 633-9014</b>
<b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b>		
<i>Reporting, Matching, and Earmarking</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-022 No finding in prior year	<p>The DHTS receives a letter annually from the Division of State Police (NJSP) documenting verification of in-kind match for federal grant funds. The total amount far exceeds the matching requirements; however, there is no indication in the letter of the amount for each program area. The DHTS will request that the amount of State funds be identified by program area in the State and Community Highway Safety Program (Section 402), as well as the National Priority Safety Programs (Section 405). This information will be included in the submission of the annual letter.</p> <p>The amount of funds expended by or for the benefit of political subdivisions in the State exceeded the 40 percent requirement; however, the expenditures by program area were unable to be properly supported by backup documentation. This appears to have occurred due to a miscalculation when identifying sub-grant expenditures for specific program areas. To ensure that local share is properly identified in future grant years, the Division Director and CFO will review each sub-grant to determine the amount of funds expended by or for the benefit of local political subdivisions and provide supporting documentation for each sub-grant by program area.</p>	<b>June 30, 2016</b>  <b>Gary Poedubicky – DHTS (609) 633-9014</b>
<b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b>		

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<i>Subrecipient Monitoring</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-023 No finding in prior year	<p>The DHTS will contact representatives of the Division of Alcoholic Beverage Control (ABC) to ensure that a procedure is developed to communicate the required information to their subrecipients. The DHTS will also request documentation from the ABC to confirm that requirements are being met.</p> <p>On-site monitoring of subrecipients will be conducted by DHTS staff in cooperation with the OAG, to ensure that monitoring requirements are adhered to in accordance with the criteria established in the DHTS Policy and Procedure Manual. Additionally, a tracking tool will be developed that includes filings of required reports by subrecipients and dates of on-site monitoring conducted by DHTS and/or OAG staff.</p>	<p><b>June 30, 2016</b></p> <p><b>Gary Poedubicky – DHTS (609) 633-9014</b></p>
<p><b>Homeland Security Grant Program (97.067)</b>  <b>State Agency: Department of Law and Public Safety</b>  <b>Federal Agency: U.S. Department of Homeland Security</b></p>		
<i>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-024 No finding in prior year	<p>Payment vouchers presented for final processing within the New Jersey Comprehensive Financial System (NJCFS) are now witnessed by another member of the fiscal staff to ensure proper signature is affixed to the payment voucher. All fiscal staff submitting a payment voucher have been directed to check all returned payment vouchers for the CFO signature of approval.</p>	<p><b>November 30, 2015</b></p> <p><b>Randall Richardson – OHSP (609) 584-4179</b></p>
<p><b>Homeland Security Grant Program (97.067)</b>  <b>State Agency: Department of Law and Public Safety</b>  <b>Federal Agency: U.S. Department of Homeland Security</b></p>		
<i>Equipment</i>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
2015-025 2014-009 2013-037 12-21	<p>The Division of Criminal Justice will be advised to use the proper object code when processing a purchase order in the eCatalog or Management Acquisition Control System-Enhanced (MACSE) systems.</p> <p>The New Jersey State Police will be advised to include all items in an asset inventory listing as required by current State Circular Letters and to make these assets available upon auditing request.</p> <p>The New Jersey Office of Information Technology (OIT) has been advised to observe State Circular No. 15-10-OMB regarding New Jersey Statewide Land and Building Asset Management System (LBAM) data entry requirements.</p> <p>The Grants Management Bureau will monitor compliance with these requirements.</p>	<p><b>March 31, 2016</b></p> <p><b>Randall Richardson – OHSP (609) 584-4179</b></p>

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<b>Homeland Security Grant Program (97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-026 2014-011	The Office of Homeland Security and Protection (OHSP) have assigned a full-time staff member to ensure that Federal Funding and Accountability Transparency Act (FFATA) report entries are accurate and completed timely. The FFATA reporting requirement has been incorporated into the Grants Management Bureau's "Critical Path" document that memorializes the necessary steps to administer the Homeland Security Grant Program. The FFATA report submission for FFY 2015 will demonstrate corrective measures currently in place that addresses this shortcoming.	<b>September 30, 2015</b>  <b>Daniel Morocco, OHSP</b> <b>609-584-4832</b>
<b>Homeland Security Grant Program (97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-027 No finding in prior year	The Fiscal Office has designed a spreadsheet that tracks grant expenditures and completed drawdowns of federal dollars on a continuous basis for the life of the award. When completing the drawdown documents in the Payment and Reporting System (PARS), the initial SF-425 form is reviewed by the CFO and Assistant prior to completing the actual drawdown of funds. Upon receipt of the OMB Cash Management Bureau report confirming the federal drawdown funds have been received, a member of the fiscal staff reviews the report and executes a cash receipt document within NJCFS that credits the appropriate account(s). These activities represent the checks and balances implemented to address the noted shortcoming. Going forward, OHSP will communicate all SEFA adjustments to OMB on a timely basis.	<b>March 31, 2016</b>  <b>Randall Richardson – OHSP</b> <b>(609) 584-4179</b>
<b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>Hazard Mitigation Grant (97.039)</b> <b>Homeland Security Grant Program (97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b> <b>U.S. Department of Homeland Security</b>		
<i>Subrecipient Monitoring</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-028 No finding in prior year	The Department will review all audit reports received to ensure that subrecipients have submitted the proper type of audit in accordance with current State and Federal Single Audit requirements. Desk reviews of audits submitted and updates to the Grantee Single Audit Tracking System will only be performed once the proper type of audit has been received.	<b>June 30, 2016</b>  <b>Sandra Homoki –OAG</b> <b>(609) 984-3977</b>

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<b>Unemployment Insurance (17.225)</b> <b>State Agency: Department of Labor and Workforce Development</b> <b>Office of Information Technology</b> <b>Federal Agency: U.S. Department of Labor</b>		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-029 2014-019 2013-018 12-35 11-1	<ol style="list-style-type: none"> <li>1. <u>Access at the Data Center at Systems and Communications (SAC) and OIT Availability and Recovery Site (OARS)</u>   <i>OIT Response:</i> An attestation of physical access rights to the Data Centers and Server Rooms will be performed on an annual basis. During which the Office of Information Technology (OIT) will reassess physical access rights to adjust and/or reduce the number of physical access rights into OIT facilities.</li>   <li>2. <u>Appropriateness of Access</u>   <i>DLWD Response:</i> The Department of Labor and Workforce Development (DLWD) reviewed NJLOOPS access levels in October 2015. The next review will be completed by the end of April, 2016. DLWD plans to complete an access review every six months.   <i>OIT Response:</i> Senior Development personnel have access to Production moves. When full-staffed, segregation of duties can be practiced to reduce a single person from performing both Development and Production moves. Despite this a limited number of senior Development personnel need to retain the ability to do Production moves during short-staffed periods and/or for emergency-related 24/7 system support. To compensate OIT’s Internal Monitoring, Audit and Controls Unit will monitor and log system activity as to its propriety.   <i>DLWD Response:</i> DLWD reviewed ACF2 access in Oct. 2015. The next review will be completed by end of April, 2016. DLWD plans to continue a review on a 6-month basis. The two individuals cited with active NJLOOPS accounts after termination were immediately removed upon identification.</li>   <li>3. <u>Disaster Recovery</u>   <i>DLWD Response:</i> DLWD has requested from OIT their run book, as to recovering the DLWD LOOPS system. DLWD will review this and advise OIT of any potential changes or modifications needed. DLWD then will work with OIT to discuss the viability of a complete disaster recovery.</li>   <li>4. <u>Change Management</u>   <i>OIT Response:</i> Formal documentation of approvals using present Change Management tools will be encouraged at OIT. Alternatively any e-mail approvals, for a particular project, are to be kept in a project file to cross-reference with DLWD. DLWD will need to corroborate by also encouraging the use of their present Change Control tools to formalize approval documentation. Alternatively, any e-mail approvals, for a particular project, are to be kept in a project file to cross-reference with OIT.</li> </ol>	<b>Stephen Foundos—OIT</b> <b>(609) 633-8791</b>  <b>April 1, 2016 through June 30, 2016</b>   <b>Jerry Calamia – DLWD</b> <b>(609) 292-1885</b> <b>April 2016</b>  <b>Stephen Foundos—OIT</b> <b>(609) 633-8791</b> <b>September 30, 2016</b>  <b>Jerry Calamia – DLWD</b> <b>(609) 292-1885</b> <b>April 2016</b>  <b>Jerry Calamia – DLWD</b> <b>(609) 292-1885</b> <b>March 2016</b>  <b>Stephen Foundos—OIT</b> <b>609-633-8791</b> <b>Ongoing</b>

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	<p>5. <u>Password Settings</u></p> <p><i>DLWD Response:</i> DLWD will review the policy and make any necessary changes to the current password protocol. DLWD anticipates the changes to be done by the end of May, 2016</p>	<p><b>Jerry Calamia – DLWD (609) 292-1885 May 2016</b></p>
<p><b>Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)</b>  <b>State Agency: Department of Labor and Workforce Development</b>  <b>Federal Agency: U.S. Department of Education</b></p> <p><i>Eligibility, Special Tests and Provisions</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>2015-030 2014-020</p>	<p>The determination of eligibility for services must be completed within 60 days of the initial interview. If evidence of the disability cannot be established during that period a statement must be in the record citing the client’s awareness of the situation and agreement to the delay.</p> <p>Of the two cases that were found to be out of compliance there was no statement in the case record.</p> <ul style="list-style-type: none"> <li>• Case one – The determination of eligibility was established by the counselor on the 57<sup>th</sup> day but it was electronically recorded on day 62 putting it over the specified time.</li> <li>• Case two – The establishment of the disability was delayed by the vendor’s failure to arrange for the diagnostic vocational evaluation. Eligibility was determined immediately after the report documenting the disability was received. This delay was 124 days and not documented as per the regulations.</li> </ul> <p>Despite these lapses the clients’ service were not adversely affected.</p> <p>Plans to correct this problem.</p> <ul style="list-style-type: none"> <li>• A meeting is scheduled with all Supervising Vocational Rehabilitation Counselors on March 15, 2016 where they will: <ul style="list-style-type: none"> <li>○ Receive a copy of the finding and this document;</li> <li>○ Be informed that there will be a zero tolerance for this violation;</li> <li>○ Be instructed that ALL cases in assigned status will be reviewed at day 45; and,</li> <li>○ Include the following statement in the case record: <ul style="list-style-type: none"> <li>▪ The case was reviewed for timely determination of eligibility and the client has been notified of the delay and informed of the steps that will be taken to establish the necessary documentation.</li> </ul> </li> </ul> </li> <li>• As a part of the e-par at the Interim and Final Ratings the caseload will be reviewed by the Supervising VR Counselor to determine compliance with the rule. If there is evidence that there are cases that do not have the necessary documentation or explanation this will be documented on the e-par as a “significant event”. This will be done at the close of the Federal Fiscal Year 9/30/16 and established for all future e-pars.</li> <li>• We will meet with the DOL AWARE Team to determine an electronic computation of any cases in violation of the rule.</li> </ul>	<p><b>March 2016</b></p> <p><b>Jerry Calamia – DLWD (609) 292-1885</b></p>
<p><b>SNAP Cluster (10.551, 10.561)</b></p>		

<sup>1</sup> Current and prior year finding number(s)

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FOR THE YEAR ENDED JUNE 30, 2015  
VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<b>TANF Cluster (93.558)</b> <b>State Agencies: Office of Information Technology</b> <b>Department of Human Services</b> <b>Federal Agencies: U.S. Department of Agriculture</b> <b>U.S. Department of Health and Human Services</b>		
<b><i>Other Requirements-Information Technology General Controls</i></b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-031 2014-044 2013-003 12-51 11-15 10-12 09-10 08-44 07-8	<p>1. <i>Access at the Data Center at HUB and OIT Availability Recovery Site (OARS)</i></p> <p><u>OIT Response:</u></p> <ul style="list-style-type: none"> <li>• An attestation of physical access rights to the Data Centers and Server Rooms will be performed on an annual basis. During which OIT will reassess physical access rights to adjust and/or reduce the number of physical access rights into OIT facilities.</li> <li>• The HUB rear exit door in question has had its door alarm and camera installed in July 2015.</li> </ul> <p>2. <i>Accountability for Access</i></p> <p><u>OIT Response:</u></p> <ul style="list-style-type: none"> <li>• Shared accounts procedures for their review and monitoring, by an independent party, along with documentation of such access rights are to be formalized.</li> </ul> <p>3. <i>Appropriateness of Access</i></p> <p><u>DHS Response:</u></p> <ul style="list-style-type: none"> <li>• As of July 23, 2015 DHS/Division of Family Development (DFD) Human Resources and DFD Office of Information System initiated use of the employee checklist for extended absence or separation to ensure that the DFD Help Desk is notified and access is removed promptly upon employee termination date.</li> </ul>	<p><b>Stephen Foundos – OIT</b> <b>(609) 633-8791</b></p> <ul style="list-style-type: none"> <li>• <b>April 1, 2016 through June 30, 2016</b></li> <li>• <b>July 31, 2015</b></li> </ul> <p><b>Stephen Foundos – OIT</b> <b>(609) 633-8791</b></p> <ul style="list-style-type: none"> <li>• <b>September-30, 2016</b></li> </ul> <p><b>Susan Brown – DHS</b> <b>(609) 588-2929</b></p> <p><b>July 23, 2015</b></p>
<b>TANF Cluster (93.558)</b> <b>State Agency: Department of Human Services</b> <b>Department of Labor and Workforce Development</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b><i>Subrecipient Monitoring</i></b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-032 No finding in prior year	<p>In regards to notifying grantees of the CFDA number, the Department of Labor and Workforce Development (DLWD) is in the process of using a Contract Funding Detail Sheet, which will notify all grantees of the CFDA numbers.</p> <p>DLWD will review all future contracts and monitor them as needed.</p>	<p><b>March 2016</b></p> <p><b>Jerry Calamia – DLWD</b> <b>(609) 292-1885</b></p>
<b>TANF Cluster (93.558)</b>		

<sup>1</sup> Current and prior year finding number(s)



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<p><b>State Agency: Department of Human Services Department of Labor and Workforce Development Federal Agency: U.S. Department of Health and Human Services</b></p>		
<p><i>Special Tests and Provisions</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>2015-033 No finding in prior year</p>	<p><u>Required Activity:</u>  <i>“DLWD will conduct an annual statewide monitoring review, from a random Management Information System (AOSOS) sampling of 5% of the total WFNJ customers actively participating in Work Experience, Job Search/Job Readiness, Community Service, Vocational Education, Job Skills Training Directly Related to Employment, and Satisfactory School Attendance at a Secondary School or Course of Study Leading to a Certificate of General Equivalence. The monitoring will consist of interviews with administrators, site supervisors, instructors and WFNJ participants as well as a review of WFNJ participant files for participant records. Any corrective action plans developed by DLWD will be delivered to the local administrative entity with a thirty day implementation requirement.”</i></p> <p><u>Process Protocol:</u></p> <ul style="list-style-type: none"> <li>• LWD will identify the 5% sampling for all TANF registrants participating in the above cited activities between the periods July 1 through December 31 of each program year.</li> <li>• The sampling will include participants from each of the 19 funded workforce areas.</li> <li>• Each randomly sampled participant will receive a service survey (Survey Monkey) sent to their established e-mail address with instructions to complete and return to LWD.</li> <li>• LWD will tabulate the results and provide same to DHS.</li> <li>• LWD will survey each of the agencies providing services to the identified sample and complete a service delivery questionnaire. Agencies participating in the review include the One-Stop Operator, Workforce Development Agency, and vendor agencies providing services to the participants selected in the 5% sampling.</li> <li>• Findings of the agency survey will be shared with the local One-Stop Operator and DHS.</li> </ul>	<p><b>March 2016</b></p> <p><b>Jerry Calamia – DLWD (609) 292-1885</b></p>
<p><b>Block Grants for the Prevention and Treatment of Substance Abuse (93.959)</b>  <b>State Agencies: Department of Human Services</b>  <b>Federal Agency: U.S. Department of Health and Human Services</b></p>		
<p><i>Level of Effort and Earmarking</i></p>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>2015-034 2014-045</p>	<p>The Maintenance of Effort requirement is determined by SAMHSA and the 2015 shortfall of 1.9% is within SAMHSA’s guideline that a shortfall up to 3% is classified as being within Material Compliance (Title XIX, Part B, Subpart II of the Public Health Service Act)  <a href="http://www.samhsa.gov/sites/default/files/sabg_moe_fact_sheet_r021014a_rev.pdf">http://www.samhsa.gov/sites/default/files/sabg_moe_fact_sheet_r021014a_rev.pdf</a></p> <p>In order to ensure a consistent understanding, the following is provided:</p>	<p><b>Anthony Tarr – DMHAS (609) 984-5299</b></p>

<sup>1</sup> Current and prior year finding number(s)

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	<p><b>Maintenance of Effort (State funded)</b> Overall Minimum is average of 2 prior years TB Minimum is average of 2 prior years <i>Note:</i> It is difficult to meet the TB MOE because per the CDC, the cases of tuberculosis in the United States have declined every year since 1993 <a href="http://www.cdc.gov/tb/publications/factsheets/statistics/tbtrends.htm">http://www.cdc.gov/tb/publications/factsheets/statistics/tbtrends.htm</a></p> <p><b>Substance Abuse Block Grant (Federally funded)</b> Prevention 20.00% Min HIV 5.00% Exactly Women's \$6,915,805 Min Admin 5.00% Max</p> <p><b>Maintenance of Effort and Earmarking Requirements</b> Many factors affect the spending of state dollars on the various programs included in the total "Maintenance of Effort" calculation. Only actual expenditures are ultimately reported to SAMHSA as final. Monitoring by the Division of Mental Health and Addiction Services (DMHAS) consists of periodically running reports on all programs to see if their aggregated encumbrances and expenditures appear to be in line to meet the current year targeted total. If not, DMHAS may submit a Request for Determination of Material Compliance to SAMHSA.</p> <p>In the 2016 Grant Application, there was a MOE shortfall in state spending during 2015. A Request for Determination of Material Compliance was sent to SAMHSA on February 12, 2016. In light of discussions with SAMHSA, it is believed this request will be approved.</p> <p><b>Earmarking</b> DMHAS developed and implemented written procedures in January 2015 for the proper segregation of duties over the earmarking requirements for the program as documented in the prior year corrective action plan.</p>	<p><b>Immediate Implementation</b></p> <p><b>February 2016</b></p> <p><b>January 2015</b></p>
<p><b>Block Grants for the Prevention and Treatment of Substance Abuse (93.959)</b> State Agencies: Department of Children and Families Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><b>Suspension and Debarment and Subrecipient Monitoring</b></p>		
<p><b>FINDING #<sup>1</sup></b></p> <p>2015-035 2014-038 2013-012</p>	<p style="text-align: center;"><b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b></p> <p><i>DCF Response:</i> Beginning July 1, 2015, all new awards or renewals ensured that the sub recipients were made aware of the federal sub recipient information and compliance requirements related to the programs the provider administers on behalf of the State. In addition, as of the same date, all new awards and or renewals included a certification for the provider to sign regarding suspension and debarment.</p>	<p style="text-align: center;"><b>COMPLETION DATE/ CONTACT PERSON</b></p> <p><b>Fiscal Year 2016</b></p> <p><b>Karen Baldoni – DCF (609) 888-7333</b></p>
<p><b>Social Services Block Grant (93.667)</b></p>		

<sup>1</sup> Current and prior year finding number(s)



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<b>TANF Cluster (93.558)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>Subrecipient Monitoring</b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-038 No finding in prior year	In order to comply with the 2 CFR section 200:331 (a)(i) of the Uniform Guidance, DFD will implement the following changes to the annual award letter it issues each County Welfare Agency (CWA). <ol style="list-style-type: none"> <li>1. For CSE and TANF sub-recipients, DFD will issue the federal award date for each separate award amount.</li> <li>2. DFD will notify all sub-recipients of the total amount of the federal award for the TANF and CSE programs.</li> <li>3. DFD will identify any research and development amounts what are included in each sub-recipients award amount.</li> <li>4. DFD will inform each sub-recipient of the indirect cost rate for the federal award including if the de minimis rate is charged.</li> </ol> DFD will re-issue 2016 award letters to all sub-recipients to immediately comply with these requirements. Additionally, we will adjust our award letter for future years to include all sub-recipient required notification information.	<b>May 1, 2016</b>  <b>Robert Hughes – DFD</b> <b>(609) 584-4041</b>
<b>SNAP Cluster (10.551, 10.561)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Agriculture</b>		
<b>Reporting</b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-039 2014-049 2013-006 12-47	To ensure the proper and timely recording of SNAP FFATA related information, the DFD will update the FFATA on a quarterly basis utilizing the CWA/SNAP expenditure data contained within the quarterly Earned Grant for Administration (618) report.	<b>April 15, 2016 and Ongoing.</b>  <b>Shammi Bhatia – DFD</b> <b>(609) 588-2045</b>
<b>Medicaid Cluster (93.775, 93.777, 93.778)</b> <b>State Agencies: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>Special Tests and Provisions</b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-040 2014-051	The Division of Aging Services concurs with this finding and recommendation. As stated in the finding, the Department implemented Managed Long Term Service and Support (MLTSS) as of July 1, 2014. A waiver request was submitted to CMS for this program implementation. There was budget language in the State fiscal year 2015 Appropriations Act providing for fee-for-service rates for nursing facilities that were to be based on audited cost report data from a prior year. As a result, the fee-for-service rates for State fiscal year 2015 were set using rates in effect on June 30, 2014. The Department continues to monitor the progress of the waiver with CMS. It is not always practicable to delay implementation of a program before CMS has approved it. It is common practice that CMS grants approval in cases on a retroactive basis.	<b>Waiver Pending Approval by CMS</b>  <b>Walt Valora</b> <b>(609) 588-2841</b>
<b>Medicaid Cluster (93.775, 93.777, 93.778)</b>		

<sup>1</sup> Current and prior year finding number(s)

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<b>State Agencies: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b><i>Subrecipient Monitoring</i></b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-041 2014-052 2013-001 12-1 11-2 10-1 09-1 08-1 07-42	The Division of Medical Assistance and Health Services (DMAHS) Office of Eligibility continues to provide instruction and guidance to all eligibility determining agencies (EDA) on the mandates for determining eligibility on an annual basis for all beneficiaries. The Bureau of Quality Control tests EDA compliance through a variety of reviews and provides quick feedback to both EDA and the Office of Eligibility for correction on specific cases. The DMAHS will elevate communication to EDAs through increased reporting and coordination with the Office of Eligibility to ensure EDAs are held increasingly accountable for improved consistency and compliance.	<b>Current and Ongoing</b>  <b>Sharon Metro – DMAHS</b> <b>(609) 588-2958</b>
<b>TANF Cluster (93.558)</b> <b>State Agencies: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b><i>Eligibility and Subrecipient Monitoring</i></b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-042 2014-043 2013-002 12-43 11-6	DFD will consolidate all TANF reviews within one designated unit, Management Evaluations. This unit will conduct monthly reviews on a statistically valid sample relative to the TANF caseload. All case reviews will confirm that all eligibility determinations and redeterminations have been properly supported, performed and reviewed on a timely basis. Each review will also focus on payment accuracy, work requirement cooperation and child support cooperation, which will include signed child support cooperation documentation.	<b>April 2016</b>  <b>John Zajac - DFD</b> <b>(609) 588-2145</b>  <b>Jennifer Gietka - DFD</b> <b>(609) 588-3369</b>
<b>TANF Cluster (93.558)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b><i>Reporting</i></b>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-043 2014-060 2013-008 12-47	DFD agrees with the finding. The information was not submitted in a timely manner due to missing DUNS number information, which is required by FFATA and FSRS. The Division has since acquired the DUNS information and the TANF information has been successfully entered in a timely manner for FY 2016.  DFD will keep abreast of any new or additional CWA sub-awards and ensure that the DUNS numbers are acquired.	<b>Shammi Bhatia – DFD</b> <b>(609) 588-2045</b> <b>Completed – December 2015</b>  <b>Ongoing – Fiscal Year 2016</b>
<b>Medicaid Cluster (93.775, 93.777, 93.778)</b>		

<sup>1</sup> Current and prior year finding number(s)

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<b>State Agencies: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<i>Allowable Costs/Cost Principles</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-044 2014-061	<p>The FY 2014 Corrective Action Plan acknowledged the need to monitor, record, and certify the amount of employee time and effort spent on federal programs. However, we believed there were very few professional staff that met the non-compliance criteria and for those that did there was no financial impact to Medicaid ICF/MR program. The majority of the subject facilities are 100% ICF/MR certified. Time and effort studies contained in the Medicaid State Plan would not have been an efficient or effective use of staff and resources and would have put undue administrative burden on the facilities. Costs of professional staff at other facilities, which have other programs beside ICF/MR, are not directly charged to ICF/MR program but are allocated on an appropriate basis. In February 2016, DDD received approval to amend this requirement in the State Medicaid Plan. The approval was retroactive to July 1, 2015 and will be in place for next year's FY 2016 audit period. The current practice is now in compliance with the Medicaid State Plan.</p>	<p><b>July 1, 2015</b></p> <p><b>Matt Shaw</b> <b>(609) 777-0712</b></p>
<b>Foster Care – Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>State Agency: Office of Information Technology</b> <b>Department of Children and Families</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-045 2014-037 2013-039	<p><u>DCF Response:</u></p> <p><u>Password Settings:</u> As of November 23, 2015, DHS- Enterprise Business Services Unit (EBSU) completed changes to the default user attributes on all NJSPIRIT servers to meet or exceed the requirements of the OIT password policy where possible. This included password complexity, lockout and expiration settings.</p> <p><u>OIT Response:</u></p> <p><u>Appropriateness of Access:</u> DCF will work with DHS and OIT to ensure the proper review and monitoring of the necessary shared generic administrative accounts on the AIX Operating System and Oracle database of NJSPIRIT.</p>	<p><b>Jason Ciseck – DCF</b> <b>(609) 888-7267</b></p> <p><b>Fiscal Year 2016</b></p> <p><b>Stephen Foundos – OIT</b> <b>(609) 633-8791</b></p> <p><b>September 30, 2016</b></p>
<b>Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)</b> <b>Employment Service Cluster (17.207, 17.801, 17.804)</b> <b>Highway Planning and Construction Cluster (20.205, 20.219)</b> <b>Highway Safety Cluster (20.600, 20.601, 20.612, 20.613)</b> <b>Aging Cluster (93.044, 93.045, 93.053)</b> <b>Public Health Emergency Preparedness (93.069)</b> <b>TANF Cluster (93.558)</b> <b>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)</b> <b>Homeland Security Grant Program (97.067)</b>		

<sup>1</sup> Current and prior year finding number(s)

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<p><b>State Agency: Department of Community Affairs</b>  <b>Federal Agency: U.S. Department of Agriculture</b>  <b>U.S. Department of Labor</b>  <b>U.S. Department of Transportation</b>  <b>U.S. Department of Health and Human Services</b>  <b>U.S. Department of Homeland Security</b></p>		
<i>Subrecipient Monitoring</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-046 No finding in prior year	The Department of Community Affairs (DCA), Division of Local Government Services (LGS) has sufficient procedures in place to ensure that over 140 audits it receives annually are reviewed timely. Accordingly, LGS will review its procedures and staffing levels to ensure that all audit reviews are completed in accordance with applicable regulatory requirements.	<b>March 31, 2016</b>  <b>John DeCristofano – LGS</b> <b>(609) 292-3245</b>
<p><b>Housing Voucher Cluster (14.871, 14.879)</b>  <b>State Agency: Department of Community Affairs</b>  <b>Federal Agency: U.S. Department of Housing and Urban Development</b></p>		
<i>Special Tests and Provisions</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-047 No finding in prior year	The DCA recognizes that one among forty items sampled did not contain the complete rent reasonableness certification and one among forty items sampled did not reveal that a rent reasonableness analysis was completed timely. The department will exercise additional diligence to include a quality control review when preparing its Housing Assistance Program contracts.	<b>March 16, 2016</b>  <b>Robert Bartolone – DCA</b> <b>(609) 984-2698</b>
<p><b>Housing Voucher Cluster (14.871, 14.879)</b>  <b>State Agency: Department of Community Affairs</b>  <b>Federal Agency: U.S. Department of Housing and Urban Development</b></p>		
<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-048 No finding in prior year	The DCA recognizes that one among forty items sampled contained a minor transposition error related to the unit’s inspection date and one among forty items sampled was missing documentation concerning the date of the unit’s inspection. The department will exercise additional diligence to include a quality control review when preparing the HUD 50058 reports.	<b>March 16, 2016</b>  <b>Robert Bartolone – DCA</b> <b>(609) 984-2698</b>
<p><b>Community Development Block Grant / State’s Program and Non-Entitlement Grants in Hawaii (14.228)</b>  <b>State Agency: Department of Community Affairs</b>  <b>Federal Agency: U.S. Department of Housing and Urban Development</b></p>		

<sup>1</sup> Current and prior year finding number(s)

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<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-049 No finding in prior year	The DCA recognizes that only one HUD 60002 report of the many sampled contained a minor error. Nonetheless, the department will exercise additional diligence to include a quality control review when preparing HUD 60002 reports. DCA will submit an amended report to HUD for the error cited during March 2016.	<b>March 2016</b>  <b>Robert Bartolone – DCA (609) 984-2698</b>
<b>Community Development Block Grant / State’s Program and Non-Entitlement Grants in Hawaii (14.228)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Housing and Urban Development</b>		
<i>Reporting</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-050 2014-005	The Community Development Block Grant’s Performance and Evaluation Report (PER) related to the federal HUD Small Cities program is a complex report that contains five years of cumulative information. Among other things, the PER also posts information reported by the department in an unintuitive manner. Accordingly, the department intends to request technical assistance to further illuminate the processes related to posting and reporting PER information. Subsequently, the department will implement additional procedures to ensure applicable documents are maintained and to verify the accuracy of PER reporting.	<b>July 2016</b>  <b>Robert Bartolone – DCA (609) 984-2698</b>
<b>Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (14.269)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Housing and Urban Development</b>		
<i>Suspension and Debarment</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-051 2014-007	<p>As noted in the finding, the DCA maintains adequate policies and procedures that comport with HUD regulations set forth at 24 CFR 85.35. The department did maintain documentation, in part, that revealed that none of the subrecipients sampled, all of which were governmental entities, were suspended or debarred or on the Excluded Parties List System (EPLS). The department also maintained documentation, in part, related to the 16 vendors sampled that revealed that none were suspended or debarred or on the EPLS. However, in some instances, the department’s documentation did not contain a date verifying when the department performed the applicable searches.</p> <p>The department will ensure that it fully complies with its policies and procedures to ensure that subrecipients and vendors are not suspended or debarred before entering into prospective agreements. Moreover, the department will ensure that all documents maintained contain all required information, including the date field.</p>	<b>March 16, 2016</b>  <b>Robert Bartolone – DCA (609) 984-2698</b>
<b>Federal Family Education Loan Program (84.032)</b> <b>State Agency: Higher Education Student Assistance Authority</b> <b>Federal Agency: U.S. Department of Education</b>		

<sup>1</sup> Current and prior year finding number(s)



**STATE OF NEW JERSEY SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2015  
VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<i>Special Tests and Provisions</i>		
FINDING # <sup>1</sup>	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2015-052 No finding in prior year	In December 2015, the Higher Education Student Assistance Authority (HESAA) initiated a reconciliation process between its system records and the lender/servicer reported amount. Of the 212,404 records submitted by the lender, 98% of the records have been reviewed to date. Of that number, 28 loan records required an adjustment to the loan guaranty amount for a net increase of \$58,861. HESAA staff is currently in contact with Navient to complete the review and reconciliation of the remaining loans. It is anticipated that this review will be completed by April 30, 2016.	<b>April 30, 2016</b>  <b>Teresa Gervasio – HESAA</b> <b>(609) 588-3369</b>

<sup>1</sup> Current and prior year finding number(s)