Integrity Oversight Monitor Training Session
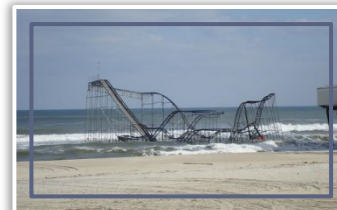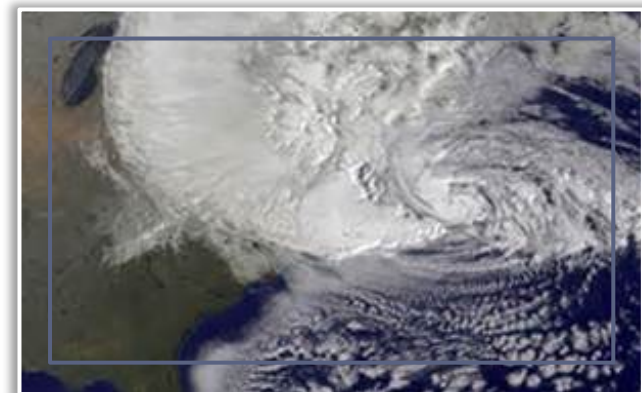
Office of the State Comptroller &
Department of the Treasury

Guidance as of 10/18/13

Training Outline

- ▸ Introductions
- ▸ Background
- ▸ Overview of Integrity Oversight Monitor Act
- ▸ Creation of Integrity Oversight Monitor Pool
- ▸ Reporting Requirements
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- ▸ Method of Operation
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- ▸ Know Your Responsibilities
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- ▸ Use of Pool
- ▸ In Closing…

Introductions

Office of the State Comptroller	Department of the Treasury

Matthew Boxer
State Comptroller

Andrew Sidamon-Eristoff
State Treasurer

Contract Manager and Implementation Team

David Ridolfino
Associate Deputy Treasurer/State Contract Manager

Daniel Povia
Chief Internal Auditor

John White
Budget and Grants Manager

Background

▸ October 27, 2012

   ▸ Governor Chris Christie signed Executive Order 104 declaring a state of emergency in New Jersey.

   ▸ President Barack Obama declared a major disaster for New Jersey (DR-4086) qualifying NJ for federal disaster relief funds.

▸ February 8, 2013

   ▸ Governor Christie signed Executive Order 125 which requires State Comptroller approval for all potential state-level recovery and rebuilding procurements.

▸ March 27, 2013

   ▸ The Integrity Oversight Monitor Act (P.L.2013, Chapter 37) was enacted authorizing the deployment of oversight monitors in the implementation of recovery and rebuilding contracts, resulting from Superstorm Sandy and other major storms in NJ, in order to prevent, detect, and remediate waste, fraud, and abuse.

Overview of the Integrity Oversight Monitor Act

Who	• State agencies authorities, and commissions • Local governments including municipal and county authorities and commissions
Contract Review Entity	• Treasury
Require Review	• All recovery and rebuilding contracts $2M+ funded by federal sources
Waiver	• The State Treasurer may issue a waiver of requirement if sufficient controls and oversight are in place.
Require Monitor	• All recovery and rebuilding contracts over $5M • Recovery and rebuilding contracts below $5M at the Treasurer's discretion
Deliverables	• Creation of an Integrity Oversight Monitor Pool • Reports

Creation of
Integrity Oversight Monitor Pool

Procurements

- **G-9004 -** Advertised on the Federal GSA website in May 2013.
- **T-2939 -** Division of Purchase and Property announced an additional bid opportunity in June 2013.

IM Pools

- **Group 1-** Program and Process Management Auditing
- **Group 2 -** Financial Auditing and Grant Management
- **Group 3 -** Integrity Oversight Monitoring /Anti-Fraud

*Participation in the Pool does not guarantee assignment of work.

Reporting Requirements

	Waiver	Status Report		Fraud Detection
From	State Treasurer	Each Integrity Oversight Monitor	State Treasurer	Integrity Oversight Monitor
To	Governor, Senate President, and the Speaker of the General Assembly	State Treasurer	Governor and Legislature	State Comptroller and Attorney General with copy to the State Contract Manager
When	Within ten (10) business days of issuance of the Waiver	First business day of each calendar quarter	Within ten (10) business days of receipt of report	Immediately as necessary
Details	Reason for Waiver and documentation supporting sufficient oversight	Provision of services during the three (3) month period second preceding the due date of the report, and any previously unreported provision of services, which shall include, but not be limited to, detailed findings concerning the integrity oversight monitor's provision of services and recommendations for corrective or remedial action relative to findings of malfeasance and inefficiency		Findings of potential fraud, malfeasance, or criminal activity

Ernst & Young

- Role
  - Treasury's contracted partner and the centralized point of contact in the implementation of P.L. 2013, c.37
  - Assess contracts over $5M
  - Recommend oversight services required
  - High level review and assessment of state and local agencies receiving federal funding
  - Identify all federal funding sources and requirements for administrative allowances and reimbursement opportunities
- Program Deliverables Provided (to date)
  - Developed policies, guidelines, and procedures for disaster oversight and monitoring activities to ensure federal and state disaster relief funds are properly accounted for; internal controls are in place to ensure federal and state disaster relief programs are in compliance with applicable laws
  - Developed Risk assessment models and loss prevention strategies
  - Developed tracking and reporting system
- Qualifications
  - FEMA experience in all regions and at every level (federal, state, local, and non-profits)
  - History of public service
  - Managed recovery work in 40+ states
- Staff
  - Former FEMA officials
  - Certified Public Accountants
  - Forensic Accounts
  - Certified Fraud Examiners
  - Grant Managers

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Process to Hire Monitor

- EY and Treasury review contract documents and perform a high level risk assessment of the state/local agency

- Treasury drafts an Engagement Query and targets one or more of the groups within the pool

- The Engagement Query is released to the specified groups after Comptroller approval

- The Engagement Query is evaluated

- The Engagement is awarded

- Task orders are issued

Integrity Oversight Monitor Training

Method of Operation

- Use of contracts (G-9004 and T-2939) must be approved by State Contract Manager
- Request for Quote (Engagement Query)
  - Detailed proposal and budget
    - Scope of Work
    - Performance milestones, standards and deliverables
    - Liquidated damages including the rationale and methodology used in developing
    - Person-hour and/or labor category mix
    - Detailed list of all engagements
- Office of the State Comptroller approval
- Recusals to participate due to conflicts of interest or scheduling are due back within three (3) business days
- State Contract Manager, on behalf of the Treasurer, and the using agency
  - Evaluate the proposals
  - Select a contractor
  - Determine if the intended contractor has any conflict with regard to services with regard to the entity being audited or monitored
  - Issue letter of engagement with a not to exceed clause
- Any firm that submits lower pricing for a specific project will be held to that lower pricing for all future engagements subject to the same terms and conditions.

Open Public Records Act

- ## State of New Jersey's Open Public Records Act (<u>N.J.S.A.</u> 47:1A-1 et seq.)
  - Engagement Query debriefing process limited to firm's evaluation and is only done upon request
  - Task Orders are public information
  - It is Treasury's intention to treat Responses to Engagement Queries as public information

Know Your Responsibilities

State and Local Agencies

- **Notify** the State Treasurer of all recovery and/or rebuilding contracts in excess of $2M by completing a 'Sandy Recovery and Rebuilding Contract Notification' form
- **Submit** required supporting documentation
- **Apply** for waiver if applicable (Treasury will determine if the waiver is acceptable.)

Know Your Responsibilities

Treasury

- **Implement** and manage the Integrity Oversight Monitor Program
- **Conduct** high level risk assessment of the state/local agency contract
- **Assist** agencies with the development of Engagement Query
- **Participate** in the evaluation of contractors' quotes
- **Notify** the Governor's Office and Legislature of waivers
- **Receive, review and provide** the Governor's Office and Legislature with quarterly updates of all monitoring activities

Know Your Responsibilities

Monitor

• **Meet** all the requirements in the Engagement Query (Request for Quote)
   • Contractors must be able to provide all of the services as defined in the Scope of Work (SOW)
   • Responses must comply with the New Jersey standard Terms and Conditions, as well as the Method of Operations, and/or Notice of Awards
• **Report** oversight activities on a quarterly basis to EY and Treasury
• **Immediately report** any findings of malfeasance, or criminal activity to the State Comptroller and Attorney General, and copy the State Contract Manager

Use of Pool

- State and local agencies who wish to use the pool
  - Follow the method of operations
  - Requires approval by the State Contract Manager
  - Beyond integrity monitoring contracts, groups 1 & 2 can be used for financial auditing, program management, grants management, and quality assurance/quality control services as it relates to Superstorm Sandy
  - All groups are available to all state and local agencies

In Closing…

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Websites

Treasury Storm Recovery

http://www.state.nj.us/treasury/news-sandy.shtml

P.L. 2013, c. 37

http://www.njleg.state.nj.us/2012/Bills/PL13/37_.PDF

Questions?