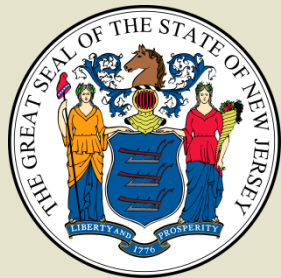




New Jersey Department Of Community Affairs Community Development Block Grant Disaster Relief



Compliance and Monitoring Plan

Background

- October 29, 2012 Super Storm Sandy caused unprecedented damage to New Jersey's housing, business, infrastructure, health, social service, and environmental sectors.
- President Obama's October 30, 2012, disaster declaration designated all twenty-one New Jersey counties as major disaster areas.
- Congress appropriated \$16 billion in Community Development Block Grant (CDBG) funds to the U.S. Department of Housing and Urban Development (HUD) for distribution to various grantees. Of the \$5.4 Billion first round allocation distributed by HUD, \$1.83 billion went to the State of New Jersey.



NJ DCA SRD

- As part of New Jersey's Action Plan, which HUD approved on April 29, 2013, the Department of Community Affairs (DCA) was designated as the State entity responsible to HUD for administering CDBG-DR funds.
- DCA established the Sandy Recovery Division (DCA-SRD) to administer the Community Development Block Grant-Disaster Recovery (CDBG-DR) funds through various housing, economic development, planning, and infrastructure programs.
- The Action Plan allocated funds will be used mostly to support disaster-recovery related activities in the 9 NJ Counties deemed the most distressed and most impacted in the State. The 9 Counties are Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean and Union.



DCA SRD Programs

Program	Program Details	Allocation Amount	Primary Program Administrator	Administration Type
Homeowner Resettlement (RSP) (Incentive)	<ul style="list-style-type: none"> Provides up to \$10,000 grant award Eligible home owners whose primary residence was damaged by Super-Storm Sandy Homeowner intends on remaining or returning to pre-storm county of residence 	\$180,000,000	DCA-SRD	DCA
Reconstruction, Rehab, Elevation and Mitigation Program (RREM)	<ul style="list-style-type: none"> Provides up to \$150,000 in aid Eligible home owners whose primary residence was damaged by Super-Storm Sandy To repair, elevate or rebuild their primary residence 	\$600,000,000	DCA-SRD	DCA
Landlord Rental Rehab Program (LRRP)	<ul style="list-style-type: none"> Provides up to \$50,000 per unit in aid Eligible owners of rental property damaged by Super-storm Sandy To repair rental properties and rent repaired units to families of low to moderate income at approved affordable rents. 	\$70,000,000	DCA-SRD	DCA

- 17 total programs will share in the \$1.83 billion, first round Federal Aid allocation to New Jersey. Sub-recipients (EDA, HMFA and NJRA) are running other programs.



Oversight Responsibilities

DCA procured CohnReznick (CR) to assist it with compliance, monitoring and oversight of its CDBG-DR funds. CR is charged with assisting DCA in developing plans and programs that prevent, detect, and remediate waste, fraud, and abuse for DCA-SRD programs.

- Accountability Officer: Responsible for overseeing the responsible disbursement and utilization of federal reconstruction resources and to serve as a liaison to the Governor's Office of Recovery and Rebuilding and the State Comptroller. CR is directed by DCA's Accountability Officer.
- DCA-SRD Compliance and Monitoring Team: Consists of the DCA-SRD Compliance Manager and the DCA SRD Compliance Monitors.
- Contractors: Any entity competitively selected to provide clearly-specified goods or services. CDBG funds are paid to the contractor as compensation for the satisfactory provision of the goods and services as specified in the contract. Contractors will be monitored by DCA. DCA's contractors are required to have systems in place for identifying and reporting any malfeasance or fraud, waste and abuse.
- Sub-recipient / Sub-grantee: A public or private nonprofit agency, authority or organization that is provided CDBG funds for use in carrying out agreed-upon eligible activities. Sub-recipients must be monitored at least annually by DCA.

Compliance / Monitoring Plan

DCA's Comprehensive Compliance, Monitoring, and Fraud Prevention Plan outlines the approach that will be used for verifying compliance, detecting misconduct, and promoting best practices in the administration of Super Storm Sandy recovery and rebuilding projects. The components of the plan are as follows:

- Risk Assessments
- Fraud Monitoring
- Program Integrity Monitoring
- Contractor/Sub-Recipient Integrity Monitoring
- CDBG Compliance Monitoring



Risk Assessments

For each CDBG-DR Program, a semi-annual risk assessment will be conducted to gauge the overall risk inherent in the program. The risk assessments will include the following criteria:

- Funds Expended
- Number of Approved Applications
- Construction Status
- Fraud, Waste and Abuse Tips/Complaints

- Risk factors will be evaluated and assigned a risk rating of High, Medium, or Low.
- The monitoring efforts include establishing certain criteria to target programs (e.g., complexity of program) that will ensure that the monitoring resources are optimized and prioritized.



Fraud Prevention Monitoring

A well controlled environment is the best tool to prevent and detect fraud. The monitoring activities to prevent and detect fraud will include the following:

- Perform a complete Internal Risk and Control Structure Review to identify risks and mitigating controls.
- Ensure that all contractors and sub-recipients receive training and periodic refreshers.
- Employ forensic and analytical procedures to assess the adequacy and effectiveness of controls to mitigate risks and detect and prevent fraud.
 - Examples include attribute sampling, data mining, and ratio analysis
- Establish and implement a well documented fraud incident reporting process.



Fraud Incident Reporting Process

Fraud Incident Reporting involves the following steps:

- Fraud Incident Report forms are completed by DCA's contractors/sub-recipients and submitted to DCA
- Upon DCA's receipt of the fraud/incident report, it will undergo an internal quality control review and additional information will be requested, if necessary
- Posting of fraud referral hotlines at DCA's Intake Centers and Work Sites – Comptroller and Office of the Attorney General
- When sufficient information is obtained to indicate fraud, malfeasance or any other criminal activity, DCA will prepare a Fraud Incident Memo and submit it to State Comptroller, Attorney General and State Contract Manager along with a copy of the Fraud Incident Report



Program Integrity Monitoring

Program Integrity Monitoring is the process whereby a program's processes are assessed to determine if the program is implemented according to the Action Plan.

As applicable, the following areas of any SRD program will be under review.

• Communications /Outreach	• Intake
• Eligibility	• Award Calculation
• Closing	• Disbursal of Funds
• Procurement	• Protection of Personal Identifying Information (PII)
• Fraud Prevention Controls	• Compliance Monitoring
• Systems	• Reporting



Sub-Recipient Monitoring



Obtain an understanding of sub-recipient scope, performance requirements. Ensure that sub-recipients have an effective system of internal control concerning CDBG-DR activities/disbursements.

Construction Contractor Monitoring

Construction contractor integrity monitoring includes monitoring of the contractors that have been engaged to execute the construction for the various CDBG-DR programs:

- RREM
- LRRP

