

**Integrity Monitor Firm Name: K2 Integrity**  
**Engagement: New Jersey Agriculture Department's Integrity Oversight Monitorship**  
**Quarter Ending: December 30th, 2020**

No.	Recipient Data Elements	Response	Comments
<b>A. General Info</b>			
1.	Recovery Program Participant	New Jersey Agriculture Department	
2.	Federal Funding Agency (e.g., Section 5001 of CARES Act)	Section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19	
3.	State Funding (if applicable)	N/A	
4.	Award Type	Direct grant from USDA and sub-recipient grants from New Jersey Department of Treasury (DOT)	
5.	Award Amount	There are two categories of awards that are subject to IOM review in this engagement; the amounts and program descriptions are: \$224,945,025 of Federal CARES Act funds provided by USDA to NIDA, Division of Food & Nutrition ("FNS") for Covid-19 related meals provided by meal program sponsors through school nutrition programs. These funds were provided to cover the cost of meals for March 2020 through September 2020, in accordance with meal program sponsors' claims for reimbursement. \$25,000,000 in NJ CARES Act funds provided to FNS through an MOU executed between the NJ Department of the Treasury and the NIDA. FNS allocated these funds to Emergency Feeding Organizations ("EFOs") to cover their COVID-19 related allowable costs incurred from March 1, 2020 thru December 1, 2020.	
6.	Accountability Officer	Christopher Laregina, Esq.	
7.	Brief Description, Purpose and Rationale of Integrity Monitor Project/Program	K2 Integrity ("K2") was engaged by NJDA pursuant to the terms of Governor Murphy's July 17, 2020 Executive Order No. 166 (EO-166) and per the requirements of the August 2020 Integrity Oversight Monitor Guidelines issued by the State of New Jersey COVID-19 Compliance and Oversight Taskforce (IOM Guidelines), in accordance with the procedures established by the Request for Quotation issued by the Division of Administration, Department of the Treasury for Integrity Oversight Monitoring: Program and Performance Monitoring, Financial Monitoring and Grant Management and Anti-Fraud Monitoring for Coronavirus Relief Funds pursuant to Section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19 Recovery Funds and Programs (IOM RFQ).	
8.	Contract/Program Location (if applicable)	NJDA, 369 S Warren St, Trenton, NJ 08608	
9.	Amount Expended by Recovery Program Participant to Date	School Nutrition Programs - \$224,945,025 Emergency Feeding Organizations - \$25,000,000	
10.	Amount Provided to other State or Local Entities	No amounts were provided to other State or Local Government Entities. All amounts were provided to meal program sponsors and EFOs.	
11.	Completion Status of Contract or Program	30-Dec-20	
12.	Expected Contract End Date/Time Period	12/30/2020	
<b>B. Monitoring Activities</b>			
13.	IF FEMA funded, brief description of the status of the project worksheet and its support.	N/A - The Grant Programs are not FEMA funded.	
<b>No. Recipient Data Elements</b>			
14.	Quarterly Activities/Project Description (include with specificity activities conducted, such as meetings, document review, staff training, etc)	<p>This Integrity Oversight Monitor ("IOM") assignment was structured as a short-term review of the New Jersey Department of Agriculture's ("NJDA") use of federal funds for COVID-19 related programs. Specifically, the NJDA's Division of Food and Nutrition ("FNS") received \$224,945,025 from the United States Department of Agriculture ("USDA") for existing school nutrition programs providing COVID-19 related meals and it received \$25,000,000 in federal CARES Act funds which were then 100% allocated to NJDA sub-recipient Emergency Feeding Organizations ("EFOs") under the Emergency Food Assistance Program ("TEFAP"). The NJDA received the \$25,000,000 through a memorandum of understanding ("MOU") executed between the NJ Department of the Treasury and the NJDA.</p> <p>The engagement duration from kick-off to submission of a draft report to NJDA was one week. NJDA provided comments on the draft report, which were incorporated into this final version of the report.</p> <p>The nature of the review was, for the school nutrition programs, a risk-based approach review of records applicable to the program application process, the program's meal distribution process, the participants, and transactions subject to monitoring and available in NJDA's electronic records systems. The IOM also conducted interviews with Program Directors from two of the sampled participants. For the TEFAP EFOs, a review was conducted of both NJDA's records as well as those maintained by the EFOs. To inform its risk based approach, the IOM relied on Risk Assessments completed and provided by NJDA staff; the engagement did not require the IOM to conduct its own independent risk assessment.</p> <p>The \$224,945,025 of federal CARES Act funds were provided by USDA to FNS for COVID-19 related meals provided by meal program sponsors - generally, public and private schools - through school nutrition programs (the National School Lunch/Breakfast, Special Milk, Child and Adult Care Food and Summer Food Service Programs). These funds were provided to cover the cost of meals for March 1, 2020 through September 30, 2020, in accordance with meal program sponsors' claims for reimbursement.</p> <p>The \$25,000,000 in CARES Act funds were provided to FNS through an MOU executed between the NJ Department of the Treasury and the NJDA. FNS allocated these funds to TEFAP EFOs to address the gaps of food sourcing and food insecurity in NJ caused by the COVID-19 public health emergency. These funds were advanced to the EFOs to cover their COVID-19 related allowable costs incurred from March 1, 2020 thru December 1, 2020.</p> <p>K2 Integrity performed the following tasks as part of its quarterly monitoring activities:</p> <ul style="list-style-type: none"> <li>• Commenced work on December 14, 2020, shortly followed by a kickoff meeting with NJDA the following day. In attendance from K2 Integrity were Paul Ryan, Martin Aronchick, Scott Millman, Dana Ball, Michael Bernstein, Salvatore Ubaldini, and from NJDA were The Director of the Division of Food &amp; Nutrition, the NJDA Accountability Officer/Legal Specialist, both the Administrative Analyst 4 and the Administrative Analyst 3 from FNS's Fiscal Section, and both the Manager and the Supervising Auditor of the Food Distribution Section.</li> <li>• Issued an information request to NJDA and created a detailed workplan for discussion with NJDA.</li> <li>• Reviewed documentation that was provided by NJDA, including but not limited to the internal risk assessments performed by FNS of its school nutrition and TEFAP programs; FNS's organizational chart; policies and procedures and documentation regarding program eligibility and transactional documentation (specified below) regarding the processing of reimbursement requests.</li> <li>• Conducted additional interviews of NJDA staff, including the Nutrition Program Specialist 3 from FNS' School Nutrition Section.</li> <li>• Revised the work plan in response to new information derived from interviews conducted and documents reviewed.</li> <li>• Used the most recent report of grant disbursements, as well as risk assessments conducted by NJDA staff and input from the NJDA regarding selections, to make selections for transaction testing / monitoring activities.</li> <li>• Performed transaction testing of one of the school nutrition programs, the Seamless Summer Option ("SSO") program (which is one of</li> </ul>	

	<p>the National School Lunch/Breakfast and Special Milk programs), which was the medium for disbursing approximately \$127 million of the \$224,945,025 in federal CARES Act funds. We made this selection based on the large proportion of the CARES Act funding that this program received, as well as the input from FNS.</p> <p>oBased on a review of the grant disbursement report, selected a risk-based sample of nine meal program sponsors from the SSO breakfast program and five meal program sponsors from the SSO lunch program to ascertain whether grant disbursements for two months of the program (May 2020 and June 2020) were in line with grant program requirements and limitations.</p> <p>oFor each of these meal program sponsors, K2 Integrity prepared a detailed testing workpaper.</p> <p>oConducted transaction testing through inquiry, observation, and review of documentation supporting reimbursement approvals for the two-month sample period of May 2020 and June 2020 and assessed whether there were any potential exceptions.</p> <p>oConducted interviews regarding school procedures for tracking and documenting daily meal program participants with the Food Service Director for a school district that will be referred to herein as "Municipality 1" (through food service contractor Nuway Concessionaires, Inc.) and the Food Service Director for a school district that will be referred to herein as "Municipality 2." Both interviewees are active members of the NJ School Nutrition Association.</p> <p>oK2 Integrity gained an understanding of the systems used in Municipalities 1 and 2 and the systems used in other NJ school districts for tracking and documenting meal program participation.</p> <p>oNJDA expressed substantial concerns about trying to obtain such documentation from every school district / meal program sponsor in our sample selection, both because the review of a sample of school nutrition program transactions is, by the design of the engagement query, supposed to be limited to NJDA records, and also because they believed that the school district/ meal program sponsors would consider the request a deviation from the relaxation of program requirements in the numerous program waivers affecting all school district/ meal program sponsors.</p> <p>oAs of December 18, 2020, 109 COVID-19 waivers have been issued by NIDA or USDA covering the 2019-2020 and 2020-2021 academic school years, relaxing otherwise-applicable program requirements including, but not limited to: suspending State agency and School Food Authority onsite program monitoring activities, suspending meal service times in the Child Nutrition Programs, allowing Child Nutrition Programs to serve meals in non-congregate settings, allowing parents and guardians to pick up and take home meals from distribution sites, and waiving all deadlines related to the Community Eligibility Provisions of the National School Lunch Program and School Breakfast Program.</p> <p>oMore specifically, in March 2020, USDA issued nationwide waivers applicable to all school nutrition programs, including SSO, effective through 9/30/20, in order to provide the meal program sponsors with greater time flexibility and allow non-congregate feeding. On 8/31/20, these waivers were extended through 12/31/20. On 4/7/20, USDA approved FNS's application to implement the above waivers, specifically allowing SSO sponsors in good standing to operate open sites in areas approved by NIDA and consistent with the State plan, provided that NIDA submit a report to USDA by 4/7/21 summarizing the use of the waiver, how new meal sites were targeted (i.e. SSO community sites), and how the waiver resulted in improved services and program participation.</p> <p>oPerformed transaction testing of the EFOs, with focus on one month of reimbursement (September 2020) for two of the six approved EFOs.</p> <p>oConducted interviews of the principal fiscal officer and/or director of each, to discuss the nature and activities of their program and the documentation of their activities.</p> <p>oBased on a review of the grant disbursement report, and with input from the NIDA regarding the geography served by each EFO, selected a risk-based sample of two EFOs for further testing.</p> <p>oConducted transaction testing through inquiry, observation, and review of documentation supporting reimbursement approvals and assessed whether expenditures were in line with grant program requirements and limitations.</p> <p>oSubmitted a draft quarterly report to NJDA on December 21, 2020, and incorporated NJDA's comments into this final version of the quarterly report.</p> <p>See Sections 18 and 19 for a detailed description of transaction testing and findings.</p>	
<p>15. Brief description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.</p>	<p>As part of the transaction testing and monitoring activities, K2 Integrity reviewed information provided by NJDA from its electronic systems for receiving, tracking, and responding to reimbursement requests from the sampled SSO meal program sponsors as well as other information provided by NJDA related to the transaction testing being performed. Specifically, K2 Integrity reviewed documents, including but not limited to, sponsor applications, reimbursement vouchers, reimbursement rates, and proof of disbursement of funds.</p> <p>K2 Integrity also reviewed information provided by NJDA from its electronic systems for allocating funds to EFOs and tracking the use of those funds. In addition, K2 Integrity reviewed back-up documentation provided by the sampled EFOs, including but not limited to receipts and payroll allocations. Additionally, the NJDA provided payment disbursement reports and check information.</p> <p>Please see Section 14 above to review the project description and specific activities completed in conjunction with the monitoring of the SSO program and sampled EFOs. Please see Sections 18 and 19 for a detailed description of transaction testing and findings.</p>	
<p>16. Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.</p>	<p>The programs reviewed are grant disbursement programs, whereby funds are reimbursed to NIDA-approved meal program sponsors (under the SSO Program) or advanced to NIDA-approved EFOs (under the TEFAP Program) and did not involve any procurement activities by NIDA. Please see Section 14 above to review the project description and specific activities completed in conjunction with the monitoring of the SSO program and sampled EFOs. Please see Sections 18 and 19 for a detailed description of transaction testing and findings.</p>	
<p>17. Has payment documentation in connection with the contract/program been reviewed? Please describe</p>	<p>K2 Integrity reviewed payment records from SNEARS (the School Nutrition Electronic Application and Reimbursement system), NJDA's electronic program management platform used for the SSO program to manage the expenditure of CARES Act grant funds. Specifically, K2 Integrity reviewed reimbursement applications uploaded to SNEARS by the sampled meal program sponsors for the sampled time periods. For the EFOs, we reviewed the Excel-based mechanism used in the TEFAP program, together with external supporting documentation provided by EFOs.</p> <p>Please see Section 14 above to review the project description and specific activities completed in conjunction with the monitoring of the SSO program and sampled EFOs. Please see Sections 18 and 19 for a detailed description of transaction testing and findings.</p>	

<p>18. Description of quarterly activity to prevent and detect waste, fraud and abuse.</p>	<p>K2 Integrity reviewed payment records from SNEARS (the School Nutrition Electronic Application and Reimbursement system), NJDA's electronic program management platform used for the SSO program to manage the expenditure of CARES Act grant funds. Specifically, K2 Integrity reviewed reimbursement applications uploaded to SNEARS by the sampled meal program sponsors for the sampled time periods. For the EFOs, we reviewed the Excel-based mechanism used in the TEFAP program, together with external supporting documentation provided by EFOs.</p> <p>Please see Section 14 above to review the project description and specific activities completed in conjunction with the monitoring of the SSO program and sampled EFOs. In addition to what is set forth below, please also see Section 19 for a description of findings.</p> <p>To test the SSO Program, K2 Integrity reviewed the most recent grant disbursement report and, in conjunction with input from the NJDA regarding the risk and sample size, selected a risk-based sample of two months of reimbursement claims from nine meal program sponsors from the breakfast program and five meal program sponsors from the lunch program to ascertain whether grant disbursements were in line with grant program requirements and limitations, as well as calculated accurately in regards to the number of meals submitted and the reimbursement rates applied.</p> <p>K2 Integrity reviewed each selection's application documentation for the fiscal year 2020, claim reimbursement forms for the months of May 2020 and June 2020, individual site voucher reimbursement forms for the months of May 2020 and June 2020, reimbursement rate documentation, Business Object Reports detailing the disbursement of NJDA funds for the months of May 2020 and June 2020, the 2019 Financial Management Review, and waivers granted by the USDA.</p> <p>K2 Integrity reviewed the documentation to ensure: all sponsor sites were approved to operate for the months in which they submitted claims for reimbursement, all summarized sponsor reimbursement claims were supported by individual site reimbursement vouchers, site reimbursement voucher average daily attendance amounts did not exceed the amounts granted on site applications, site total free meal claims did not exceed sponsor site limitations, reimbursement rates were applied correctly to the submitted program meal counts, and that reimbursement payments were made by the NJDA.</p> <p>K2 Integrity also sought to ensure sponsors had undergone a regular three-to-five year program review referenced in the internal NJDA Risk Assessment.</p> <p>K2 Integrity requested the most recent reviews of Municipalities 1 and 2.</p> <p>The NJDA informed us that the program reviews of the meal program sponsors were conducted on the National School Lunch programs, which operated in a different manner than the SSO program operates in normal times or has operated under the COVID-19 waivers. The NJDA stated that the items reviewed included meal applications and meal service, among other requirements, that are not part of the SSO program. For these reasons, the NJDA stated that the requested reports will not be helpful for the review being conducted by K2 Integrity, and would confuse the programs, indicating that the reports would not add additional value to our review. The reports were not provided.</p> <p>Based on procedures performed relating to the SSO Program:</p> <ul style="list-style-type: none"> <li>For 34 out of 115 site vouchers reviewed, we noted that average daily attendance amounts were greater than original SSO site application approved amounts of "estimated number of children to be served" in SNEARS. Per NJDA, COVID-19 waivers allowing SSO Programs to operate as open sites have resulted in the required acceptance of all program participants and therefore waives the site application maximum amount requirement.</li> <li>For 18 out of 115 site vouchers reviewed, we noted that SNEARS did not contain site applications; instead, these sites were listed as approved SSO sponsors on the "School Nutrition Programs - Application Packet: Site Details Summary" webpage. Per NJDA, in accordance with waivers granted to the SSO Program, these sites were added as community sites rather than schools under the National School Lunch Program and not under the SSO Program as a mechanism to accommodate the waived location limitations under the program.</li> <li>As referenced earlier, in March 2020, USDA issued nationwide waivers applicable to all school nutrition programs including SSO, effective through 9/30/20, allowing for greater time flexibility and non-congregate feeding. On 8/31/20, these waivers were extended through 12/31/20. On 4/7/20, USDA approved FNS's application to implement the above waivers, specifically allowing SSO sponsors in good standing to operate open sites in areas approved by NJDA and consistent with the State plan, provided that NJDA submit a report to USDA by 4/7/21 summarizing the use of the waiver, how new meal sites were targeted (i.e. SSO community sites), and how the waiver resulted in improved services and program participation.</li> <li>Therefore, the waivers discussed in the preceding paragraphs allowed the numbers of meals served to exceed the otherwise-applicable maximum numbers per site, and allowed the use of alternative sites to the schools that were originally intended as the meal service sites.</li> </ul> <p>To test the EFO Program, K2 Integrity conducted interviews of the principal fiscal officer and/or director of each to discuss the nature and activities of their program and the documentation of their activities and available supporting documentation.</p> <p>NJDA has advanced portions of the \$25 million in the CARES Act funds to the six approved EFOs under a formula that includes several factors, including the population served by the EFO. NJDA requires EFOs to report monthly on its actual use of the funds, and to retain—but not submit on a monthly basis—the back-up documentation for their monthly reports. FNS informed us that a review of the back-up documentation will be included in the annual reviews of the EFOs, presently scheduled to begin during the first quarter of 2021.</p> <p>K2 Integrity tested all six EFOs to confirm their ability to produce the back-up documentation electronically within the time requirements of this engagement. We recognized that a negative finding might have limited meaning, because an EFO's inability to produce the documents within a few days did not necessarily mean that it could not produce the documents within a more reasonable time period. All six EFOs were able to produce requested records electronically in a timely manner, within the expedited time frame of this engagement.</p> <p>Based on a review of the grant disbursement report, as well as input from NJDA, and taking into account the amounts of funds received as well as the geography served by each EFO, K2 Integrity selected a risk-based sample of one month of fund expenditure from each of the two EFOs for further testing. K2 Integrity reviewed the test selections to confirm the existence of documentation supporting the expenditure of CARES funds, completeness of the documentation, accuracy of the supporting documentation, adequacy of the supporting documentation, allowability and allocability of the purchases made, and proof of payments made to the EFOs from the federal CARES Act funds provided to NJDA by the NJ Department of the Treasury.</p> <p>Based on procedures performed relating to the EFO Program, we did not find any exceptions relating to the transactions that we tested.</p>	
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19. Provide details of any integrity issues/findings	<p>The internal risk assessments performed by NJDA of its school nutrition and EFO programs found that the programs had appropriate controls against integrity risks. NJDA recognized that, as between these two programs, the greater inherent risk is in the EFO program, because the funds are advanced, rather than reimbursed upon a demonstration of proper use. From the review that we performed, as described above, our only concerns are expressed below.</p> <p>For the SSO program, a key risk that we identified is how the meal program sponsors developed their tallies of meals served during the March 2020 to September 2020 time period and how those tallies were documented. The food service directors who we interviewed, as well as NJDA staff, described to us systems for developing and documenting the tallies that appear to be designed to achieve the intended purpose of creating tallies that are accurate and complete.</p> <p>From these interviews, we learned the following. In order to address the crisis of food insecurity caused by the COVID-19 pandemic, the meal program sponsors have had to develop entirely new and different systems for developing and documenting the tallies of meals served from those systems normally used. Because of pandemic-related school closings, meals could not be provided in schools to individual recipients who established their eligibility upon receipt of the meal. Using the numerous waivers referred to above, meal program sponsors developed safe and socially distanced methods for delivering groups of meals outside of schools to individuals and families. The waivers reduced the normally applicable requirements for how the tallies would be developed and documented, and the meal program sponsors employed systems consistent with the waivers, that eliminated the need for any direct contact between meal program sponsor staff and the persons being provided with the meals.</p> <p>The interviews provided us with a clear understanding of the continuing food insecurity crisis that the SSO meal program has been trying to ameliorate. At an appropriate time, and as soon as possible, it would be useful for an expanded review to be conducted that evaluates SSO meal sponsors' program operations, under the unique circumstances that have existed since March 2020. That review should include a comparison of the documentation produced by the revised tracking systems devised by the meal program sponsors to their reimbursement requests. We were informed by FNS that, in conjunction with the USDA, they are currently preparing "Technical Assistance Reviews" of critical data points of the SSO program and sponsors, with the anticipation that these reviews will be rolled out early in 2021, to include a review of program activities during 2020.</p> <p>We also recommend that the FNS, as part of their monthly process in evaluating EFO expense tracking reports, require the submission and reconciliation of supporting documentation of EFO expenses. As referenced above, FNS informed us that the back-up documentation will be included in the annual reviews of the EFOs, presently scheduled to begin during the first quarter of 2021.</p>	
20. Provide details on any other items of note that have occurred in the past quarter	N/A - This is the IOM's first quarterly report	
21. Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	N/A - This is the IOM's first quarterly report	
<b>No. Recipient Data Elements</b>	<b>Response</b>	<b>Comments</b>
<b>C. Miscellaneous</b>		
22. Attach a list of hours (by employee) and expenses incurred to perform your quarterly integrity monitoring review	Paul Ryan - 9.5 hours; Martin Aronchick - 66 hours; Scott Millman - 42.5 hours; Dana Ball - 50.25 hours; Michael Bernstein - 52.25 hours; Salvatore Ubaldini - 54 hours. Total: - 274.5 hours.	
23. Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Nothing to add here.	

Name of Integrity Monitor: K2 Integrity	Name of Report Preparer: Martin C. Aronchick
Signature:	
Date: December 30, 2020	