

IOM Quarterly Report

Integrity Monitor Firm Name:

K2 Integrity

Draft - For Discussion Purposes **Engagement:**

New Jersey State Police's Integrity Oversight Monitorship

December 30th, 2020

Quarter Ending:

December 30th, 2020

No.	Recipient Data Elements	Response	Comments
A. General Info			
1.	Recovery Program Participant	New Jersey State Police ("NJSP")	
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	Sub-recipient grants from New Jersey Department of Treasury (DOT)	
5.	Award Amount	<p>As of December 29, 2020, from the Coronavirus Relief Fund ("CRF") funds received by the State of New Jersey, DOT allocated \$424,042,839 to NJSP/NJOEM. It should be noted that all of the grant programs were awarded after grant requests in the form of Memoranda of Understanding ("MOU") and Memoranda of Agreement ("MOA") from NJT. The MOAs for one of these programs, (the County Testing and Reimbursement Program) included an amount that pertains to the New Jersey Department of Health ("NJDOH") in which they are noted as the grantee and have the responsibility of administering the funds. NJSP/NJOEM has no duties to administer these funds, and as such, was not included as part of K2 Integrity's ("K2") risk assessment or testing. K2's review focused on the programs as follows (collectively referred to as "Grant Programs"):</p> <ul style="list-style-type: none"> - \$19,892,333 for the County Testing and Reimbursement Program ("County Program") to provide coverage to 12 counties that did not receive separate federal assistance to be used for eligible non-FEMA covered costs related to the COVID-19 pandemic and funds necessary for operating testing sites for 12 counties on a reimbursable basis. - \$49,229,301 for the NJSP Radio System Upgrade ("Radio Upgrade Program") needed for radio communications coordinated between hospitals, ambulance dispatch centers, statewide air medivac, and numerous state and local agencies in response to the COVID-19 pandemic. - \$12,021,205 for NJSP COVID-19 Projects ("12M Projects Program"), the bulk of which pertained to \$7,500,000 for the purchase of Emergency Vehicles to allow for COVID-19 safety protocols. - \$100,000,000 for NJSP/NJOEM FEMA Cost Share for COVID-19 Related Expenditures ("Cost Share Program"). - \$242,900,000 for COVID-19 Related Payroll Expenses ("Payroll Program") for eligible payroll expenses covering from March 1, 2020 through December 30, 2020. 	
6.	Accountability Officer	Major Scott Poulton, Commanding Officer	
7.	Brief Description, Purpose and Rationale of Integrity Monitor Project/Program	K2 was engaged by NJSP 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)	New Jersey State Police, PO Box 7068, West Trenton, NJ 08628	

9. Amount Expended by Recovery Program Participant to Date	Program County Program Radio Program \$12M Projects Program Cost Share Share Program NJSP COVID-19 Related Payroll Expenses Total Expended	Funds Expended as of 12/29/2020 \$ 15,007,869 \$ 49,229,301 \$ 6,863,806 \$ 54,332,149 <u>\$ 50,516,065</u> \$ 175,949,190	
10. Amount Provided to other State or Local Entities	No amounts were provided to other State or Local Entities		
11. Completion Status of Contract or	January 31, 2021 (originally December 30, 2020)		
12. Expected Contract End Date/Time Period	January 31, 2021 (originally December 30, 2020)		
B. Monitoring Activities			
13. If FEMA funded, brief description of the status of the project worksheet	N/A - The Grant Programs are not FEMA funded.		
No. Recipient Data Elements	Response	Comments	
14. Quarterly Activities/Project Description (include with specificity activities conducted, such as meetings, document review, staff training, etc.)	K2 performed the following tasks as part of its quarterly monitoring activities: - Commenced planning work on December 16, 2020 by sending an initial information request and then with a kickoff meeting on December 17, 2020. - Finalized a detailed workplan for discussion with NJSP. - Conducted interviews with key personnel to obtain an understanding of NJSP's grants, related grants management processes, controls, and risks. Specifically, interviewed individuals from the Fiscal and Recovery Bureaus, Grants Administration, Business Administration, the NJSP Accountability Officer and Commanding Officer of NJOEM, Procurement, Information Technology, and a member of the Office of Attorney Generals (regarding audit). K2 also conducted a walkthrough of the NJEMGrants system. There were ongoing discussions and updates with these individuals throughout the quarterly review. - Reviewed relevant grant documentation including, but not limited to, grants reports, disbursement reports, details from the New Jersey Comprehensive Financial System ("NJCFSS"), policies and procedures/standard operating procedures, New Jersey State circulars regarding procurement, and the internal organizational risk assessment. As it pertains to the County Program, K2 reviewed the MOA for each of the 12 counties. For the remaining four programs, K2 reviewed the MOU and any applicable amendments. - Based on the interviews conducted and documents reviewed, K2 developed a detailed risk and control matrix identifying the key processes, risks, and controls to mitigate such risks. This information was then used to prepare the draft risk matrix deliverable. We also used this information to assess the residual risk associated with NJSP's grant management operations. - As part of the risk assessment, several aspects of the grants management processes received a moderate risk rating and were selected for transaction testing/monitoring activities (Refer to Section 19 below for areas selected for testing). For each of these areas, K2 prepared detailed testing sheets, including the relevant control attributes subject to testing. - Reviewed the most recent grant reports in NJEMGrants and related transaction details and performed completeness of the details in the system to the reports generated. From the transaction details for each program, K2 selected a risk-based sample of transactions for testing (based on risk factors such as the value, transaction description, etc.). - Conducted transaction testing through inquiry, observation, re-performance, and review of documentation supporting grant awards, expenditures, procurement, and financial reporting and assessed whether there were any potential exceptions. - Conducted follow-up interviews with various NJSP/NJOEM personnel throughout the quarterly review.		

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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>As part of the transaction testing and monitoring activities, K2 reviewed information obtained by NJSP/NJOEM from third-party sources to validate information provided by recipients of the County Program (e.g., purchase orders, invoices, proof of payment, payroll reports, etc.). K2 reviewed similar documentation for the other purchases made directly by NJSP pertaining to the other programs.</p> <p>Please see sections 18 and 19 below to review the specific activities completed in conjunction with the testing of the Grant Programs.</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>For the Radio Program, \$12M Projects, and Cost Share Program, K2 reviewed NJSP/NJOEM's procurement policies. While no program specific policies were developed, NJSP/NJOEM's procurement policies appear to be aligned with Executive Order 166 and related COVID-19 procurement guidelines. The following is a summary of the key aspects of procurement policies related to NJSP/NJOEM for use of CRF funds, which come from a combination of requirements from various state agencies as summarized below:</p> <ul style="list-style-type: none"> - All NJSP procurements are to be made through one of the four main contracting methods as defined in the NJSP Purchasing of Commodities and Services Standard Operating Procedures ("SOP") (i.e., through existing state contracts). - Procurements made through state contracts require approval of the NJSP Central Purchasing Unit, New Jersey Office of the Attorney General, Office of Information Technology (if IT – related), and Office of Management and Budget. - State Comptroller approval is not required for state contract procurements. - If a procurement cannot be made through state contract, the use of a Delegated Purchasing Authority ("DPA") may be used as defined in the Commodities and Services SOP as well as New Jersey Department of Treasury Circular titled "Delegated Purchasing Authority for Goods and Services." - All DPA Procurements require Department of Treasury Division of Purchase and Property "Paperwork" which consists of a checklist titled "Information Sheet and checklist for Waivers and Delegated Purchasing Authority Transactions." This checklist includes documents required to be provided by vendors involved in DPA Procurements. - If the DPA Procurement is over \$250,000 a waiver must be obtained by the Department of Treasury Division of Purchase and Property as defined in the "Requests for Waivers of Advertising" Department of Treasury Circular. - For DPA Procurements, the NJSP Commodities and Services SOP outlines requirements for procurements in dollar values \$1,000-\$17,500, \$17,500-\$44,000, and greater than \$44,000, however, language is included that in "exigent" situations, a single quote can be permitted. Per NJSP, the COVID-19 pandemic has been considered an "exigent" situation. - For all DPA Procurements, approval is required from the Office of the State Comptroller for purchases over \$150,000. - Per the NJSP, no vendor vetting or background checks are performed by the NJSP other than the documents required to be provided by vendors to the Department of Treasury Division of Purchase and Property. - Because of the "exigent" situation, Division of Purchase and Property has allowed DPA procurements to take place while allowing the required vendor paperwork to be provided at a later date. 	
17.	Has payment documentation in connection with the contract/program been reviewed? Please describe	<p>For the County Program, K2 reviewed documentation supporting the expenditure and disbursement of grant funds in accordance with the MOAs. This included, but was not limited to, payroll reports, purchase orders, vendor invoices, and proof of payment by the Counties.</p> <p>For the Radio, \$12M Projects, and Cost Share Programs, K2's review of expenditures and disbursements included but was not limited to procurement packages, purchase orders, vendor invoices, and proof of payment.</p> <p>For the Payroll Program, K2 verified reimbursement amounts received to date in NJCFS.</p> <p>Please see sections 18 and 19 below to review the specific activities completed in conjunction with the testing of the Grant Programs.</p>	

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18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	<p>K2 conducted an initial risk assessment as well as detailed transaction testing to identify potential program compliance issues, potential fraud, waste, and abuse. K2's testing in conjunction with the Grant Programs are outlined below: Please note that K2's activities are ongoing.</p> <p>For the County Program, K2 selected a risk-based sample using the three counties with the highest number of expenditures paid for COVID-19 Costs Not Covered by FEMA. Within each of these County analyses, K2 selected a risk-based sample of disbursements and focused on the underlying line items of which the disbursements were comprised. In total, K2 reviewed 37 transactions. Additionally, K2 reviewed the three counties with the highest drawdowns for costs associated with the COVID-19 Test Sites. In total, K2 used a risk-based sampling approach to review 10 transactions. Specifically, the following were tested for both pieces: proper support (purchase orders, invoices, payroll reports, proof of payment), allowability of the cost under the CARES Act, duplication of benefits (that costs were not covered by FEMA or otherwise previously submitted), and disbursement to the appropriate County.</p> <p>For the Radio Program, K2 noted that the entire amount of the allocated funds was used to purchase the radios from one vendor (Motorola) in a single purchase and paid over the course of two payments. K2 reviewed the procurement package, invoices, purchase order, and proof of payment.</p> <p>For the \$12M Projects Program, K2 used a risk-based approach and selected the two largest projects in which there had been costs expended to date (Emergency Vehicles, NJSP Training Academy).</p> <p>- For Emergency Vehicle purchases made, the cost was split into two types of purchases; the bulk of the money was used for the actual purchase of the new emergency vehicles, while the remaining money will be allocated to "uplifting" and "outfitting" the vehicles (i.e., adding lights, cameras etc.). To date, over \$5 million has been expended on the purchase of the new vehicles. The process by which the purchase of the emergency vehicles was made began by the NJSP indicating to the Department of Treasury their intent to use the allocated money towards vehicle purchases. After this, the Fleet Management division specified the cars that they wanted purchased. Pre-approval was then obtained from the OAG and Treasury, after which the NJSP transferred the required funds to the Central Motor Pool of the Treasury, who then purchased the cars. K2 reviewed screenshots from NJCFS confirming the amounts that were paid to the Treasury to make the vehicle purchases. K2 also reviewed Transfer Documents, Treasury Purchase Orders, and the pre-approval packets for the money that was provided to the Treasury to purchase the Emergency Vehicles for NJSP. We also reviewed NJSP purchase orders and quotes for "up-fittings" that will be performed on the vehicles through state vendor contracts after they are received by the NJSP. Lastly, we reviewed the procurement package that includes the approval paths and requisition documentation from the NJSTART system. We have been informed that the vehicles have been purchased but have not yet been received and that NJSP is awaiting a certificate of origin from the manufacturer (Ford). We have inquired as to whether Treasury has sent the money to Ford and are awaiting a response. Our testing is ongoing as some of the requested documentation has not yet been received.</p> <p>-For the NJSP Training Academy, K2 traced the amounts to the license agreement with The College of New Jersey to use their facilities as well as supporting invoices, purchase orders, and proof of payment.</p> <p>For the Cost Share Program, K2 noted that NJEMGrants only reflected some of the transactions and documentation. NJSP/NJOEM confirmed that the system was not up to date and was to be reconciled by year-end. We requested the internal Business Objects report and after comparing it to NJCFS without material exception, made a risk-based selection of 8 large dollar transactions. K2 was able to review procurement packages, purchase orders, invoices, and proof of payment.</p> <p>For the Payroll Program, K2 reviewed the payroll analysis and report provided by NJSP created using data from the Business Objects system and general ledger, reporting all transactions between March 13, 2020 and November 29, 2020. As part of this review, K2 performed the following: compared a sampling of individual salaries and job titles shown in the report to those available through the public domain; reviewed job titles to ensure trainees or civilians were not included; and reviewed for consistency for title and salary ranges. In addition, K2 confirmed that salaries covered by FEMA and other federal sources were deducted.</p>	

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19.	Provide details of any integrity issues/findings	<p>Based on the procedures performed, as outlined in section 18 above, K2 has made the following preliminary observations. Please note that K2's transaction testing is ongoing and additional observations may be identified.</p> <p>With respect to the County Program, K2 noted what appeared to be missing documentation. Specifically, we could not locate certain documents in the supporting documentation in NJEMGrants when performing our transaction testing. The documentation that appeared to be missing included 8 instances of proof of payment, 4 purchase orders, 3 instances of corresponding timesheet support for payroll, and 1 missing vendor invoice.</p> <p>The following were the responses received in reply to our observations pertaining to missing documentation:</p> <ul style="list-style-type: none"> -Missing purchase orders from the vendors for which purchase orders are currently still outstanding will be requested. -In the case of the missing invoice, it was located and provided to us. -For proof of payment and payroll support, we were informed that in most of the instances, internally generated accounting/payroll reports were accepted and nothing further was required. In two instances, we were told proof of payment was not received but should have been requested. <p>No exceptions were identified with respect to the Radio, \$12M Projects, and Payroll Programs.</p> <p>K2's transaction testing for the Cost Share Program is ongoing, as additional documentation has been requested and is currently being reviewed.</p> <p>With respect to financial reporting, K2 identified differences when comparing expenditures amounts reported in NJCFS and NJEMGrants for the County, Radio, \$12M Projects, and Cost Share Programs.</p> <ul style="list-style-type: none"> -For the County Program, the difference was due to a transaction that was improperly coded by the County to be reimbursed as part of the portion of the MOA that applies to NJDOH. The amount was paid, as reflected in NJCFS. NJSP/NJOEM informed us that NJEMGrants still needed to be updated to reflect this payment. K2 reviewed the invoice, noting that the cost appears to be proper for the County Program. -The difference for the Radio Program was due to the second of two payments that was made a few days previously not yet being updated in NJEMGrants. During its transaction testing, K2 reviewed the supporting documentation for this payment. For the \$12M Projects and Cost Share Programs, we were informed that the differences are due to transactions that have been processed in NJCFS, but that have yet to be uploaded to NJEMGrants. It was unclear how long these lags can take. We have asked for reconciliations of the differences for both programs. Furthermore, we have requested documentation pertaining to the Cost Share Program. It should also be noted that the bulk of the expenditures for the \$12M program were tested when K2 tested the Emergency Vehicle purchase. <p>Furthermore, K2 noted differences for the Radio and \$12M Projects Programs when comparing the latest CRF report to NJEMGrants. For the Radio Program, the difference was the same as when comparing to NJCFS in that the information for the second of the two payments was yet to be uploaded to NJEMGrants. For the \$12M Projects Program, we asked NJSP/NJOEM to reconcile the difference for us. We will request an updated reconciliation as we finalize this report.</p> <p>K2 noted the following potential opportunities for program enhancements:</p> <ul style="list-style-type: none"> - There seems to be a lag in when NJEMGrants gets updated for the state programs. NJSP should determine a set period and require that any activity processed in NJCFS be uploaded to NJEMGrants within that timeframe. 	
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	N/A - This is the IOM's first quarterly report	
No.	Recipient Data Elements	Response	Comments
C. Miscellaneous			
22.	Attach a list of hours (by employee) and expenses incurred to perform your quarterly integrity monitoring review	Paul Ryan - 17.25 hours; Kevin Mullins - 85.75 hours; Bradley Sussman - 17.75 hours; Robert Thompson - 41.50 hours; Tejah Duckworth - 52.75 hours; Yomi Pierce - 3.50 hours; Naomi Gonzalez - 56.50 hours; Kyle Paul - 68.50 hours; Caren Irgang - 20.00 hours. Total: - 363.50 hours.	
23.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program	It should be noted that this quarterly report is a draft report of our procedures and observations to date. The observations, open items, and recommendations noted should not be considered final and are currently being addressed by NJSP/NJOEM and could change. This report will be updated and finalized on or before January 31, 2021, to reflect NJSP/NJOEM's responses, reconciliations, and any additional procedures performed by K2.	

No.	Recipient Data Elements	Response	Comments
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Name of Integrity Monitor:	Name of Report Preparer: Kevin Mullins
Signature:	
Date: January 21, 2021 (revised from January 5, 2021)	
	