

**STATE OF NEW JERSEY • DEPARTMENT OF COMMUNITY AFFAIRS •  
DIVISION OF DISASTER RECOVERY AND MITIGATION**

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**SUBJECT:** Prevention and Detection of Fraud, Waste and Abuse

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**NUMBER:** 2.10.3

**EFFECTIVE:** March 2013

**REVISED:** July 2022  
April 2023  
May 2024

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**DCA-DRM**

**PAGE 1 OF 5**

**APPROVAL:**

  
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Deputy Commissioner

  
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The State of New Jersey Department of Community Affairs (“DCA”) Disaster Recovery and Mitigation Division (“DRM” or “the Division”) oversees activities and expenditures of authorized federal funds, including American Rescue Plan (“ARP”) State Fiscal Recovery Funds (“SFRF”), ARP Capital Projects Fund (“CPF”), FEMA Hazard Mitigation Assistance Program, FEMA Flood Mitigation Assistance Program, and HUD Community Development Block Grant-Disaster Recovery (“CDBG-DR”) funds. The Division is responsible for preventing and detecting fraud, waste and abuse. This policy outlines the methods by which the Division carries out that responsibility.

**PREVENTION OF FRAUD, WASTE AND ABUSE**

In accordance with applicable Executive Orders,<sup>1</sup> certain safeguards are in place to ensure all federal resources are utilized through an ethical and transparent process. The State requires ethics training for employees and the acknowledgment by grantees, employees and contractors that they are aware of and will obey the DCA 2.10.9 Conflict of Interest policy (June 2016). This policy complies with the requirements of 24 CFR 570.489(g), 24 CFR 570.489(h), and other sections described in the applicable Federal Register notice. DRM will apply these safeguards across all sources of funds to ensure a consistent and cohesive management.

Where required, each principal department of the State shall submit potential State procurements involving expenditure of federal resources to the New Jersey Office of the State Comptroller for review prior to commencement of the procurement process. The State Comptroller shall determine whether the proposed procurement process complies with applicable public contracting laws, rules and regulations. Pursuant to its enabling legislation, the State Comptroller’s Office is an independent office that is charged with evaluating the efficiency, effectiveness, and transparency of all government entities and to identify and eliminate fraud, waste and abuse throughout state

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<sup>1</sup> [Gov. Christie Exec. Order No. 125 \(Feb. 8, 2013\)](#); [Gov. Murphy Exec. Order No. 166 \(July 17, 2020\)](#).

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---

**DCA-DRM**

**PAGE 2 OF 5**

---

and local government.

Moreover, the Division created and owns a custom software package called the State Integrated Recovery Operations and Management Systems (“SIROMS”) which facilitates financial management, grant management, federal reporting, documentation retention and administration of the federal funds overseen by the Division. Using a sophisticated Business Process Management (BPM) system like SIROMS, DRM is able to fortify defenses against fraud, waste and abuse. The system has specific user access controls, granting tailored permissions to personnel in alignment with their roles. This ensures that only authorized individuals can access sensitive financial data and Personally Identifiable Information (“PII”), minimizing the risk of unauthorized manipulation.

As funds move through the BPM system, they are subject to multiple layers of approval. Each step is documented to create a verifiable digital trail. Such transparency not only fosters accountability, but also acts as a powerful deterrent to potential misconduct. Additionally, the system is able to flag irregularities in real-time, which enables swift intervention, preventing issues from escalating into significant losses. Further, the systems analytical capabilities empower decision-makers with fund use patterns, which allows them to develop proactive risk mitigation strategies.

Through the user access controls and multi-layered approval mechanisms, SIROMS assists the Division in protecting against fraud, waste and abuse.

### **DETECTION OF FRAUD, WASTE AND ABUSE**

#### **Program Monitoring**

DRM will perform monitoring of funded projects in accordance with the CDBG-DR and ARP Monitoring Plans.

Programs will receive technical assistance as needed from the DRM Grant Management Unit to address lack of knowledge or confusion about any regulatory requirements. The DRM Monitoring Unit uses its Risk Assessment tool to prioritize the programs and activities to monitor, then uses a combination of desk reviews, site visits, and monitoring checklists to monitor program activities.<sup>2</sup> To determine the appropriate monitoring of grants, DRM’s Risk Assessment tool considers prior grant administration and performance and audit findings, as well as the complexity of the project, among other factors. All projects will be monitored at least once during the life of the activity. The results of monitoring activities will be reported to the DRM Chief Officer, Legal Affairs, then to the DCA Deputy Commissioner overseeing the DRM before issuance to the audited program.

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<sup>2</sup> Where applicable, monitoring checklists will be modeled after HUD’s Disaster Recovery Monitoring Checklist.

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May 2024

---

**DCA-DRM**

**PAGE 3 OF 5**

---

The primary purpose of the State's monitoring strategy is to ensure that all projects comply with applicable federal regulations and are effectively meeting their stated goals. The monitoring will address program compliance with contract provisions, which may include, but is not limited to, environmental reviews, procurement, fair housing, Section 3, Davis-Bacon Act and other prevailing wage provisions, Uniform Relocation Act, equal opportunity and civil rights requirements, Uniform Guidance, program income and other applicable financial requirements. All necessary environmental reviews shall be performed on each project prior to funding.

Procedures for verification of the accuracy of information provided by applicants for assistance are provided in the individual program policies and procedures. DRM's oversight and monitoring shall include procedures to ensure that the respective programs have sufficient documentation to verify the information being provided by applicants. DRM will test the program staff's adherence to the required procedures by testing applicant files using the appropriate sampling techniques. Further, DRM may embed quality assurance monitors into the intake process who will be charged with ensuring adherence to prescribed applicant verification procedures.

DRM will maintain a comprehensive monitoring manual and compliance and monitoring procedures for all funding sources, including the CDBG-DR program.

**DCA Internal Audit**

The Director of the DCA Office of Auditing ("Director of Auditing") will report to the Commissioner's Office any findings concerning funds overseen by DRM. DRM Internal Audit staff will report directly to the Director of Auditing and indirectly to the DRM Chief Officer, Legal Affairs. DRM will meet regularly with the Director of Auditing as part of a cooperative effort to ensure that sufficient controls are in place for programs in receipt of federal grants and by following up regarding the results of subsequent monitoring and audit activities for those programs.

DRM, in coordination with DCA Office of Auditing will ensure that DRM is maintaining an effective system of internal controls and a program of audit and evaluation which will provide assurances and safeguards concerning DCA's disbursement of federal funds.

DCA Office of Auditing will:

1. Ensure that DRM's monitoring and evaluation process effectively mitigates the risk of fraud, waste and abuse and that the disbursement of federal funds is transparent to all stakeholders.
2. Follow up on the results of the Monitoring Unit's findings and concerns, as well as the

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April 2023  
May 2024

---

**DCA-DRM**

**PAGE 4 OF 5**

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implementation of corrective actions that result from external audits.

3. Review of DRM's internal controls for compliance with Federal and State laws, and system requirements.

The DCA Office of Auditing will provide support to the DRM for the following:

1. Identify areas of staff capacity where further training is needed. Training will focus on identification of risk factors, identification of fraud indicators, and review of the system of internal controls that provide reasonable assurances that funds are being administered in accordance with law, code and policy. The training sessions will emphasize that sound internal controls require the efforts of all departmental personnel, not only auditors and compliance staff.
2. Assist in developing anti-fraud brochures and posters that include a fraud tip-line to the State Comptroller's Office and that are distributed and prominently displayed throughout the department, satellite offices and construction sites.
3. Implement a comprehensive and effective compliance program that includes investigative protocols, whistleblower procedures, and a process to refer matters to local, state and federal authorities.

### **REPORTING FRAUD, WASTE, AND ABUSE**

DCA describes the process for employees to report fraud, waste, and abuse in DCA Policy No. 2.10.4 Investigation Protocol Policy (March 2013). Additionally, it describes the process for beneficiaries to report fraud, waste, and abuse in the "Avoid Home Repair Scams" tip sheet that is distributed to all beneficiaries.

DCA has an established process for determining if fraud, waste, or abuse has occurred and it is discussed in DCA Policy No. 2.10.88 Policy Addressing Contractor Performance Issues: Fraud, Poor Workmanship, and Failure to Perform in a Timely Manner (April 2018) and DCA Policy No. 2.10.200 Policy Addressing Subsequent Changes in Circumstances (December 2019). These policies discuss the role of DCA in investigating and acting when fraud occurs within CDBG-DR construction activities and/or programs and evaluating the possibility of assistance for unmet needs that may remain or result as a consequence of the fraud. DCA Policy No. 2.10.13 Internal Audits and Recipients Audits Policy discusses the process of the DCA Office of Auditing to provide both programmatic and financial oversight of grantee activities.

When the grantee has determined that instances of fraud, waste, and abuse have occurred in the use of CDBG-DR funds, these will be referred to the HUD OIG Fraud Hotline (phone: 1-800-347-

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---

**DCA-DRM**

**PAGE 5 OF 5**

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3735 or email: [hotline@hudoig.gov](mailto:hotline@hudoig.gov)) by the DCA Office of Auditing; for ARP funds, these will be referred to the Pandemic Response Accountability Committee (“PRAC”), which can be reached by filing a form at <https://www.pandemicoversight.gov/>; for FEMA funds, these will be referred to the U.S. Department of Homeland Security Office of Inspector General Hotline at 1-800-323-8603 or online at <https://www.oig.dhs.gov/hotline>.