



<b>State of New Jersey</b>	
<b>Department of Treasury</b>	
<b>Integrity Monitoring Reporting Model</b>	
<b>Engagement: EQ2014-009-P1-HMFA</b>	
<b>For Quarter Ending: 03/31/15</b>	
Reports required under A-60 will be submitted by Integrity Monitors on the first business day of each calendar quarter to the State Treasurer and will contain detailed information on the projects/contracts/programs funded by the Disaster Relief Appropriations Act.	

No.	Recipient Data Elements	Response	Comments
<b>A.</b>	<b>General Info</b>		
1.	Recipient of funding	NJ Housing Mortgage and Finance Agency	
2.	Federal Funding Agency? (e.g. HUD, FEMA)	HUD	
3.	State Funding (if applicable)	Not applicable	
4.	Award Type	HUD Community Development Block Grant- Disaster Recovery	
5.	Award Amount	\$ 98,189,210	
6.	Contract/Program Person/Title	John Murray - Director, NJHMFA Division of Credit & Business Development	

No.	Recipient Data Elements	Response	Comments
7.	Brief Description, Purpose and Rationale of Project/Program	<p>The Department of Treasury (Treasury), on behalf of the New Jersey Housing and Mortgage Finance Agency (NJHMFA) engaged Brown &amp; Company CPAs and Management Consultants, PLLC (Brown &amp; Company) pursuant to the “Program and Process Management Auditing, Financial Auditing and Grant Management, and Integrity Monitoring/Anti-Fraud Services for Disaster Recovery Assistance” contract (G9004), and the “Prequalification Pools: Auditing and Other Related Services in Support of Disaster Recovery” contract (T2939) from prequalified contractors. The State retained the services of Brown &amp; Company to provide a Program and Process Management Auditor to NJHMFA to audit the Fund for Restoration of Multi-Family Rental Housing (FRM) and associated contracts and the Sandy Special Needs Housing Fund (SSNHF) programs (if any SSNHF loan exceeds \$5 million), for the purpose of minimizing risk and preventing or rectifying duplication of benefits, process and payment errors, waste, fraud, abuse, malfeasance and mismanagement of funds.</p> <p>NJHMFA FRM program assists in the creation of rental projects in the nine most impacted New Jersey counties and provides the funding for forgivable subordinated mortgages. Those counties have been identified as Atlantic, Bergen, Cape May, Essex, Hudson, Middlesex, Monmouth, Ocean and Union. The program awards subsidies in the form of loans to both not-for-profit and for-profit developers; owners capable of managing large multifamily housing developments; and low- and moderate-income households.</p> <p>As of this report, NJHMFA has approved 16 loan contracts (Attachment A), each valued at \$5 million or more.</p>	
8.	Contract/Program Location	Various counties in New Jersey	
9.	Amount Expended to Date	\$34,014,535	
10.	Amount Provided to other State or Local Entities	Not applicable	

No.	Recipient Data Elements	Response	Comments
11.	Completion Status of Contract or Program	33% of funds expended	
12.	Expected Contract End Date/Time Period	Funds should be expended by April 29, 2015.	
<b>B. Monitoring Activities</b>			
13.	If FEMA funded, brief description of the status of the project worksheet and its support.	Not applicable	
14.	Quarterly Activities/Project Description (include number of visits to meet with recipient and sub recipient, including who you met with, and any site visits warranted to where work was completed)	<p>Brown &amp; Company's integrity oversight monitoring activity for the second Quarter (January 1, 2015 – March 31, 2015) of the contract focused on Task B and Task C. Brown &amp; Company team members conducted site visits to the NJHMFA on January 12-16, 2015. The purpose of the site visit was to develop an integrity monitoring process for the eight (8) projects in which the loans were closed and funds have been expended. Brown &amp; Company staff met with NJHMFA staff for clarification and/or to review additional information that was missing or incomplete in the files.</p> <p>Meeting attendees included Brown &amp; Company team (Kimberly Penn, Senior Audit Manager, Justin Nguyen, Audit Manager, I. Toni Thomas, Senior and Andrea Wright-Banks, Senior) and NJHMFA staff (John Murray, Chief of Credit and Business Development and Teresa White, Portfolio Control Supervisor.)</p> <p>Brown &amp; Company auditors also conducted site visits to the NJHMFA on February 3-5, 2015. We met with John Murray and Teresa White on Wednesday, February 4, 2015 at 11:00 AM in the Conference Room. We provided an update to NJHMFA on our assessment of the Agency's conformance with established policies and procedures related to the sixteen (16) contracts approved for FRM.</p>	

No.	Recipient Data Elements	Response	Comments
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>The updated FRM-PHA report as of March 31, 2015 reflects the following:</p> <ol style="list-style-type: none"> <li>1) Twelve (12) loans have closed and drawn funds               <ol style="list-style-type: none"> <li>a) Twelve project files were available for review:                   <ol style="list-style-type: none"> <li>1. Conifer Village at Rittenberg</li> <li>2. Carolina Crescent and Connecticut Crescent</li> <li>3. Egg Harbor Hotel</li> <li>4. Westmont Station</li> <li>5. Franklin Manor</li> <li>6. Heritage Village at Bloomfield</li> <li>7. Catherine Todd Senior Living Center</li> <li>8. Willows at Waretown</li> <li>9. Atlantic City Hope VI</li> <li>10. Meadow Lark Run</li> <li>11. Residences at Willow Pond Village</li> <li>12. The Beach View Residents</li> </ol> </li> </ol> </li> <li>2) Four (4) projects have not closed               <ol style="list-style-type: none"> <li>1. Booker T. Washington</li> <li>2. Keyport Legion Apartments</li> <li>3. Green Heron Pointe</li> <li>4. Heritage Village at Oakhurst</li> </ol> </li> </ol> <p>We began testing the Integrity Monitoring Process on the contracts that closed. Testing included reviewing project files for compliance with applicable laws and regulations related to FRM and any associated contracts in excess of \$5 million. Information/files reviewed included:</p> <ul style="list-style-type: none"> <li>• Eligible Applicants</li> <li>• Eligible Project Location</li> <li>• Eligible Types of Projects</li> <li>• Selection Criteria</li> <li>• Priority for Tax Credits</li> <li>• Subsidy Loan Amounts, etc.</li> </ul> <p>We also performed testing on contractor invoices to determine if they were properly approved and to determine if sales tax was included and paid on the invoices. We also agreed the invoices to the financial management system.</p>	

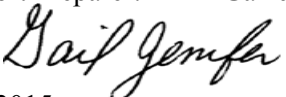
No.	Recipient Data Elements	Response	Comments
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	Under Task C, Integrity Oversight Monitoring, Brown & Company tracked, tested, and reviewed the invoices submitted by contractors to NJHMFA. We reviewed updated schedules that reported activity for the 16 loan contracts. Brown & Company met with staff and discussed procedures and controls for the contracts that had drawdowns. The discussion focused on the following areas: overall management systems and conformance to method of distribution; timely distribution of FRM funds; administrative financial management requirements; written agreements with recipients; and program progress and expenditure of FRM funds.	
17.	Have payment requisitions in connection with the contract/program been reviewed? Please describe	The payment requisitions were reviewed. Brown & Company tracked, tested and reviewed the invoices submitted by contractors to NJHMFA.	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	<p>The first essential step in preventing and detecting waste, fraud, and abuse in government programs is to review and evaluate the comprehensiveness and effectiveness of existing policies, procedures, and controls in place to manage and mitigate the risks inherent in those programs. Brown &amp; Company's monitoring activities this quarter focused on program review and evaluation.</p> <p>We continued testing the integrity monitoring process on the eight (8) projects that closed and funds expended. We tracked, tested, and reviewed the contractor invoices submitted to NJHMFA.</p>	
19.	Provide details of any integrity issues/findings	<p>As a result of our review of documents, analysis of information/data, and discussions with staff, we have the following issues/findings:</p> <ol style="list-style-type: none"> <li>1. In assessing the timeliness of expenditures in accordance with NJHMFA's contract with DCA, we found that Sandy FRM funds must be expended by the April 29, 2015 deadline. The February 3, 2015 FRM-PHA report reflects the following: Total expenditures of the 16 FRM contracts was \$34,014,535 or 33% of the funds authorized. We observed the following: 13 out of 16 contracts were closed; 3 contracts were completely drawn down; 4 contracts had drawdowns of over 50%; and 3 contracts had not closed.</li> </ol>	

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		<ol style="list-style-type: none"> <li>2. FRM applications were due September 1, 2013; however, documentation was not available to validate this requirement.</li> <li>3. Projects were not ready to proceed within 90 days.</li> <li>4. The commitment deadline of November 27, 2013 was not met for seven (7) projects. The seven (7) projects committed for financing after the November 27, 2013 deadline were:               <ol style="list-style-type: none"> <li>a. Keyport Leisure Bay Apartments</li> <li>b. Conifer Village at Rittenberg</li> <li>c. Carolina Crescent and Connecticut Crescent</li> <li>d. Meadow Lark Run</li> <li>e. Green Heron Point</li> <li>f. Franklin Manor</li> <li>g. Heritage Village at Bloomfield</li> </ol> </li> <li>5. While the sponsors certified to comply with applicable Federal and State statutory requirements, most files did not contain information to support the certification.</li> <li>6. The FRM-PHA form, used as a management tool and provided to the auditors and Agency Board, should be updated regularly with the final loan amounts/development costs, date of construction start/closing; number of units/special needs beds, etc.</li> <li>7. Agency project files should be reviewed for completeness by Agency staff.</li> </ol>	
20.	Provide details of any work quality or safety/environmental/historical preservation issue(s).	None	
21.	Provide details on any other items of note that have occurred in the past quarter	None	

No.	Recipient Data Elements	Response	Comments
22.	Provide details of any actions taken to remediate waste, fraud and abuse noted in past quarters	Not applicable	
<b>C. Miscellaneous</b>			
23.	Attach a list of hours and expenses incurred to perform your quarterly integrity monitoring review	See <b>Attachment B</b>	
24	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	None	

Name of Integrity Monitor: Brown & Company CPAs and Management Consultants, PLLC

Name of Report Preparer: Gail Jenifer

Signature: 

Date: July 1, 2015

**ATTACHMENT A**

The 16 loan contracts listed in the table below make up the Brown & Company's Task C Scope of Work.

	<b>Contract</b>	<b>Loan #</b>	<b>Intended Use of Funds</b>	<b>Amount</b>	<b>Date/Status of Award</b>
1	Heritage Village at Oakhurst	HMFA #2874	New	\$ 11,020,000	10/03/2013
2	Franklin Manor	HMFA #2885	New	10,200,000	12/3/2013
3	Willows at Waretown	HMFA #2599	New	9,097,970	10/3/2013
4	Booker T. Washington	HMFA #2927	Rehab	6,000,000	1/27/2014
5	The Beachview Residence	HMFA #2683	Rehab	5,642,518	11/14/2013
6	Heritage Village at Bloomfield	HMFA #2844	New	5,453,332	1/27/2014
7	Conifer Village at Rittenberg	HMFA #2704	New	5,440,700	1/27/2014
8	Carolina Crescent & Connecticut Crescent	HMFA #2859	New	5,145,721	1/27/2014
9	Railroad Avenue	HMFA #2508	New	5,102,748	1/27/2014
10	Rio Grande	HMFA #2837	New	5,086,221	1/27/2014
11	Egg Harbor Hotel Conversion	HMFA #2861	Rehab	5,000,000	5/25/2013
12	Westmont Station	HMFA #2869	New	5,000,000	5/15/2013
13	Catherine Todd Senior Living Center	HMFA #2553	Rehab	5,000,000	5/15/2013
14	Delaney Homes	HMFA #2878	New	5,000,000	5/15/2013
15	Atlantic City HOPE IV	HMFA #2772	New	5,000,000	8/29/2013
16	Keyport Legion Apartments	Unknown	Unknown	5,000,000	Unknown
<b>Total</b>				<b>\$ 98,189,210</b>	



ATTACHMENT B

HOURS INCURRED FOR QUARTERLY ACTIVITIES

Member	0.00
Manager	36.50
Supervisor	75.00
Seniors (3)	<u>407.50</u>
Total Hours	<u>519.00</u>

EXPENSES INCURRED FOR QUARTERLY ACTIVITIES

Travel	\$7,945.26
Other Direct Costs	0.00