



State of New Jersey
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Governor
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Lt. Governor

MARC LARKINS
Acting State Comptroller

May 4, 2015

James M. Jacob
President and Chief Executive Officer
New Jersey SHARES, Inc.
1901 North Olden Avenue Extension, Suite 1A
Ewing, NJ 08618

Re: Follow-Up Report F-14

Dear Mr. Jacob:

Pursuant to the State Comptroller's authority as set forth in *N.J.S.A. 52:15C-1 et seq.*, we have followed up on the actions taken by New Jersey SHARES, Inc. (NJ SHARES) to implement the recommendations in our audit report, *New Jersey SHARES, Inc., Selected Fiscal and Operating Practices* (Report PA-17), issued on December 11, 2012. Our findings and conclusions are set forth below.

Background, Scope and Objective

Our initial audit report found that NJ SHARES' controls and procedures for determining grant eligibility could be improved. We also found that despite turning away thousands of applicants due to limited program funding, the average grant awarded by NJ SHARES was substantially larger than those provided through federal programs and through similar programs administered by other states. In addition, we found that weak financial controls contributed to questionable spending.

The objective of our follow-up engagement was to determine if NJ SHARES has implemented the 13 recommendations contained in our initial audit report.

Summary Conclusion

We found that NJ SHARES' officials have made significant progress in implementing the recommendations set forth in our initial audit report. Of the 13 prior audit recommendations, 9

recommendations have been implemented, 1 has been partially implemented, 2 have not been implemented and 1 is not currently applicable.

Status of Initial Audit Recommendations

Recommendation 1

Reconsider and document the merits of applicants claiming high energy costs as the sole basis for establishing that they are experiencing a financial crisis.

Status: Partially Implemented

Effective January 1, 2013, NJ SHARES' Energy Bill Assistance Intake Form requires that, in addition to their high energy costs, all applicants indicate the reason for their temporary financial crisis when applying for an energy assistance grant. For our follow-up engagement, we selected a sample of 50 grants awarded during calendar year 2013 to determine if NJ SHARES was enforcing this requirement. Of the 50 grant recipients in our sample, 34 provided a specific reason other than high energy cost for their temporary financial crisis and the remaining 16 simply indicated "Other" as the reason. NJ SHARES informed us that the reason for these 16 was "delinquent utility as verified by utility bill." However, according to NJ SHARES' Guidelines for Eligibility, applicants must "be behind on their energy bill" as a prerequisite for grant eligibility. We, therefore, do not consider this to be an additional justification for experiencing a financial crisis.

Recommendation 2

Strengthen income verification procedures by requiring applicants to submit their income tax return and other tax documentation as part of the income verification process.

Status: Not Implemented

In response to our initial audit, NJ SHARES stated that it had added several income verification options to the application review process, including the review of income tax returns. For the 50 sampled grants referred to concerning Recommendation 1, we found that none of the grant recipients included income tax returns or other tax documents as part of the income verification process.

Recommendation 3

Require the submission of Social Security numbers or similar identification documents for all members of the applicant's household.

Status: Not Implemented

During the initial audit, we found that NJ SHARES did not require all members of the applicant's household to submit their Social Security number or other form of identification, which increased the risk of applicants falsely inflating household size to trigger higher income ceilings. For the 50 sampled grants referred to concerning Recommendation 1, we found that not all of the applicants submitted Social Security numbers or similar identification documents for all members of their

household. Specifically, of the 50 grants sampled, 29 (58 percent) did not have the required identification documents for all members of the applicant's household.

Recommendation 4

Obtain proof of income documentation for all adult members of the applicant's household. If an adult member of the household does not report any income, consider requiring completion of an affirmation of no income or similar documentation.

Status: Implemented

In response to our initial audit, NJ SHARES stated that: “Effective January 1, 2013 Applicants must certify on a supporting document zero income for any adult household members (18 yrs or over).” NJ SHARES provided us with a copy of the NJ SHARES’ “Welcome Screen Message” on their web-based intake system, which instructs a household member that does not contribute to the income of the household to complete and sign a Zero Income Affidavit. For the 50 sampled grants referred to concerning Recommendation 1, we determined that proof of income or a Zero Income Affidavit was provided for all adult members of the applicant’s household.

Recommendation 5

Monitor adherence to stated eligibility and documentation requirements and do not award grants to applicants who do not meet those requirements.

Status: Implemented

During the initial audit, we found numerous instances in which grant recipients received financial assistance despite the absence of required eligibility documentation. In response to our initial audit, NJ SHARES stated that it clarified the application review procedures to ensure that requirements are being met. For the 50 sampled grants referred to concerning Recommendation 1, we reviewed supporting documentation to determine if NJ SHARES was monitoring adherence to its stated eligibility and documentation requirements. All 50 sampled grants were in compliance with the eligibility requirements.

Recommendation 6

Consider more closely aligning the amount of grant awards with those of similar programs nationwide in order to provide assistance to households that otherwise would be denied a grant due to limited funding.

Status: Implemented

NJ SHARES stated that it conducted a review of programs in other States to evaluate the size of their grant awards, which indicated that the programs in other States served a lower-income population that was also eligible for additional assistance. NJ SHARES engages a firm to do an annual program evaluation and grant impact analysis and, based on this analysis, NJ SHARES believes it has set the

grant limits at an appropriate level.

Recommendation 7

Consider more closely aligning income caps with those of other programs nationwide in order to provide assistance to additional lower income households that otherwise would be denied a grant due to limited funding.

Status: Implemented

During the initial audit we found that the income limits for an NJ SHARES grant were significantly larger than the income limits set by similar programs in other states we reviewed. For our follow-up engagement, NJ SHARES stated that it reviewed data relating to income caps in New Jersey. Because New Jersey is a high cost of living State, NJ SHARES determined that 400 percent of the federal poverty level was an appropriate income cap. Therefore, NJ SHARES has maintained the income cap at 400 percent of the federal poverty level.

Recommendation 8

Use a separate bank account for funds received from the State of New Jersey to segregate funds that are designated for energy assistance purposes.

Status: Not Currently Applicable

This recommendation is not currently applicable. NJ SHARES informed us that it does not currently receive any State funds and that they have had no new grants, contracts or other agreements with the State since their last contract expired in 2012. We confirmed NJ SHARES' assertion through a review of its general ledger.

Recommendation 9

Charge transactions to the correct general ledger accounts and in the correct amount.

Status: Implemented

Our initial audit identified numerous transactions in NJ SHARES' general ledger and American Express card (AMEX) statements that we considered questionable. For our follow-up engagement, we reviewed NJ SHARES' general ledger activity for the period January 1, 2013 to June 30, 2014 and selected a sample of AMEX statement transactions for review to ensure that the transactions on the AMEX statements were charged to the correct account and in the correct amount. Of the 79 transactions reviewed, all were charged in the correct amount and 76 of the 79 (96 percent) were charged to the correct general ledger account. The three exceptions were relatively minor categorization errors made by NJ SHARES.

Recommendation 10

Develop, implement and monitor adherence to credit card policies and procedures regarding card distribution, spending limits, expense reporting and supporting documentation.

Status: Implemented

In response to our initial audit, NJ SHARES stated that it implemented procedures regarding credit card distribution, spending limits, expense reporting and obtaining supporting documentation. For our follow-up engagement, NJ SHARES provided a copy of its credit card policy, and travel and credit card expense reimbursement policies and procedures. We reviewed the 79 transactions referred to concerning Recommendation 9 and verified that NJ SHARES developed, implemented and monitored adherence to these policies.

Recommendation 11

Develop, implement and monitor adherence to policies and procedures for NJ SHARES employees regarding travel, reimbursement of expenses, accounting of expenses and wireless phone distribution and usage.

Status: Implemented

In response to our initial audit, NJ SHARES stated that it implemented procedures regarding travel, reimbursement of expenses, accounting of expenses and wireless phone distribution and usage. For our follow-up engagement, NJ SHARES provided a copy of the Travel and Expense policy, Cellular Phone policy and Expense Categorization policy. We reviewed the 79 transactions referred to concerning Recommendation 9 and verified that NJ SHARES developed, implemented and monitored adherence to these policies.

Recommendation 12

Enforce the “Appropriate Conduct Policy” concerning employees’ use of alcoholic beverages while engaged in NJ SHARES business.

Status: Implemented

During the initial audit, we identified several restaurant charges with alcohol on the bill, as well as liquor store charges, which were not in compliance with NJ SHARES’ “Appropriate Employee Conduct” policy prohibiting the use of alcoholic beverages while engaged in NJ SHARES business. In response to our initial audit, NJ SHARES stated that it reinforced its guidance to all employees to ensure compliance with this policy. For our follow-up engagement, we reviewed the transactions referred to concerning Recommendation 9 that related to meals/dining type activities to determine if alcohol was purchased. Although receipts for these transactions were not itemized, NJ SHARES management signed off that no alcohol was purchased from the sampled transactions. We concluded that NJ SHARES has enforced the “Appropriate Employee Conduct” policy.

Recommendation 13

Develop and implement written policies and procedures that require intake agencies to communicate relevant staffing changes to NJ SHARES in a timely manner. Establish policies and procedures concerning revoking system access for those staff members who are no longer employed by an intake agency.

Status: Implemented

Our initial audit found that NJ SHARES did not properly monitor the security of its web-based intake system that contained the personal financial information of grant applicants. For our follow-up engagement, NJ SHARES provided us with a copy of its External System Users policy, which gives the agency administrator the right to add or delete users as appropriate. NJ SHARES also provided us with a copy of its "Welcome Screen Message", which reminds agency administrators to deny access to the NJ SHARES' system to users no longer associated with their organization. In addition, NJ SHARES sends a monthly reminder to each intake agency to confirm the accuracy of the assigned agency administrator and agency users who have access to the NJ SHARES web-based grant system.

We selected a sample of 10 intake agencies to ensure that the relevant staffing changes were communicated to NJ SHARES in a timely manner by comparing a list of currently active users provided by NJ SHARES with current employees provided by the selected intake agencies. We determined that system access was not provided to any intake staff members who were no longer employed by the corresponding intake agency. We concluded that NJ SHARES has developed and implemented written policies and procedures concerning revoking system access for those staff members who are no longer employed by an intake agency.

Reporting Requirements

We provided a draft copy of this report to NJ SHARES' officials for their review and comment. Their comments were considered in preparing our final report and are attached as Appendix A.

The Office of the State Comptroller is required by statute to monitor the implementation of our recommendations. To meet this requirement, NJ SHARES shall report periodically to this Office advising what additional steps it has taken to address the unresolved issues in this report. This Office will continue to monitor those steps.

We thank the management and staff of NJ SHARES for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

A handwritten signature in blue ink, appearing to read "W. Challice".

William P. Challice, CIA, CFE, CGFM
Director, Audit Division

- c. Joyce E. Campbell, Chair, Board of Directors, NJ SHARES
- Richard Mroz, President, Board of Public Utilities
- David Ridolfino, Associate Deputy Treasurer, Department of the Treasury



New Jersey SHARES, Inc.
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James M. Jacob
President & CEO
609.883.1478

April 15, 2015

Mr. William P. Challice
Director, Audit Division
Office of the State Comptroller
P.O. Box 024
Trenton, NJ 08625-0024

Dear Mr. Challice:

We appreciate the opportunity that your follow-up review provided to demonstrate the actions undertaken by New Jersey SHARES (NJS) in response to the OSC Audit. We believe that these actions have strengthened the process and we are grateful to OSC staff for identifying areas for improvement. We are pleased that your staff found that we have made significant progress in implementing the recommendations provided in the audit report.

NJS has reviewed your recent report and we are committed to further strengthening the grant process. NJS will continue to implement process improvements as a result of your recommendations and our internal quality assurance reviews.

We would like to thank you and your staff for the professionalism and courtesies extended during the audit follow-up review.

Sincerely,

A handwritten signature in cursive script that reads "James M. Jacob".
