



STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2012

Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on Internal
Control over Compliance in Accordance with OMB Circular A-133

STATE OF NEW JERSEY

Year ended June 30, 2012

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Independent Auditors' Report on the Schedule of Expenditures of Federal Awards

The Governor
State of New Jersey:

We have audited the accompanying schedule of expenditures of Federal awards of the State of New Jersey (the Schedule) for the year ended June 30, 2012. This Schedule is the responsibility of the State of New Jersey's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes consideration of internal control over financial reporting of the Schedule as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting of the Schedule. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1 to the schedule of expenditures of Federal awards, the Schedule does not include expenditures of Federal awards for those entities determined to be component units of the State of New Jersey for financial statement purposes. These entities may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

As described in note 2 to the schedule of expenditures of Federal awards, the Schedule is prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the schedule of expenditures of Federal awards referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2012 on the basis of accounting described in note 2.

This report is intended solely for the information and use of management of the State of New Jersey, the U.S. Department of Health and Human Services and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 25, 2013

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
U.S. Department of Agriculture:			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 1,518,111	—
10.028	Wildlife Services	13,965	—
10.069	Conservation Reserve Program	113,296	110,579
10.163	Market Protection and Promotion	65,873	—
10.169	Specialty Crop Block Grant Program	(1,254)	(1,254)
10.170	Specialty Crop Block Grant Program – Farm Bill	652,069	319,659
10.304	Homeland Security – Agricultural	51,418	—
10.435	State Mediation Grants	13,954	—
10.458	Crop Insurance Education in Targeted States	275,859	—
10.475	Cooperative Agreements with States for Intrastate Meat & Poultry Inspection	171,391	—
<i>SNAP Cluster:</i>			
10.551	Supplemental Nutrition Assistance Program (nonmonetary)	1,323,018,257	—
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	138,890,291	112,284,184
	Total SNAP Cluster	1,461,908,548	112,284,184
<i>Child Nutrition Cluster:</i>			
10.553	School Breakfast Program	56,595,022	56,595,022
10.555	National School Lunch Program	215,392,484	215,392,484
10.556	Special Milk Program for Children	586,155	586,155
10.559	Summer Food Service Program for Children	7,642,890	7,180,281
	Total Child Nutrition Cluster	280,216,551	279,753,943
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	141,180,602	26,364,125
10.558	Child and Adult Care Food Program	66,939,664	65,916,855
10.560	State Administrative Expenses for Child Nutrition	4,282,558	—
10.565	Commodity Supplemental Food Program	204,033	190,080
<i>Emergency Food Assistance Cluster:</i>			
10.568	Emergency Food Assistance Program (Administrative Costs)	2,186,949	1,353,614
10.569	Emergency Food Assistance Program (Food Commodities)	8,228,157	—
	Total Emergency Food Assistance Cluster	10,415,106	1,353,614
10.572	WIC Farmers' Market Nutrition Program (FMNP)	779,961	36,700
10.574	Team Nutrition Grants	174,961	174,961
10.576	Senior Farmers' Market Nutrition Program	804,110	37,077
10.578	ARRA – WIC Grants to States WGS	(9,114)	—
10.579	Child Nutrition Discretionary Grant Limited Availability	40,832	27,645
10.582	Fresh Fruit and Vegetable Program	3,377,161	3,330,128
10.664	Cooperative Forestry Assistance	1,218,216	302,465
10.680	Forest Health Protection	313,083	—
10.688	ARRA – Wildland Fire Management	691,084	497,859
10.913	Farm and Ranch Lands Protection Program	127,031	120,231
10.914	Wildlife Habitat Incentive Program (WHIP)	1,398	—
	Total U.S. Department of Agriculture	1,975,540,467	490,818,851
U.S. Department of Commerce:			
11.400	Geodetic Surveys and Services (Geodesy and Applications of the National Geodetic Reference System)	74,169	—
11.407	Interjurisdictional Fisheries Act of 1986	127,406	—
11.413	Fishery Products Inspection and Certification	102,832	—
11.419	Coastal Zone Management Administration Awards	4,239,531	—
11.441	Regional Fishery Management Councils	1,082,564	—
11.463	ARRA – Habitat Conservation	531,884	—
11.472	Unallied Science Program	93,354	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	234,787	—
11.555	Public Safety Interoperable Communications Grant Program	9,949,660	—
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)	295,032	—
11.558	ARRA – State Broadband Data and Development	659,163	—
	Total U.S. Department of Commerce	17,390,382	—
U.S. Department of Defense:			
12.401	National Guard Military Operations and Maintenance (O&M) Projects	22,972,320	—
12.401	ARRA – National Guard Military Operations and Maintenance (O&M) Projects	567,944	—
	Total National Guard Military Operations and Maintenance (O&M) Projects	23,540,264	—
12.UNA	Unassigned Catalog Numbers from Federal Government	2,664,017	—
	Total U.S. Department of Defense	26,204,281	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Housing and Urban Development:		
	<i>CDBG – State-Administered Small Cities Program Cluster:</i>		
14.228	Community Development Block Grants/State's Programs	\$ 7,904,828	7,443,397
14.255	ARRA – Community Development Block Grants/State's Programs	382,516	339,349
	Total CDBG – State-Administered Small Cities Program Cluster	8,287,344	7,782,746
14.231	Emergency Shelter Grants Program	1,494,379	1,417,664
14.235	Supportive Housing Program	595,138	69,451
14.238	Shelter Plus Care	2,171,880	—
14.239	Home Investment Partnerships Program	5,897,549	1,534,253
14.241	Housing Opportunities for Persons with AIDS	2,226,216	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	35,407	—
	Total Housing Opportunities for Persons with AIDS	2,261,623	—
14.257	ARRA – Homelessness Prevention and Rapi Re-Housing Program (HPRP)	3,493,296	3,490,761
14.401	Fair Housing Assistance Program – State and Local	190,661	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	9,960,498	—
	Total Section 8 Project-Based Cluster	9,960,498	—
	<i>Housing Voucher Cluster:</i>		
14.871	Section 8 Housing Choice Vouchers	216,883,690	97,937
14.879	Mainstream Vouchers	439,568	—
	Total Housing Voucher Cluster	217,323,258	97,937
14.UNA	Unassigned Catalog Numbers from Federal Government	12,345,144	11,540,499
	Total U.S. Department of Housing and Urban Development	264,020,770	25,933,311
	U.S. Department of the Interior:		
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration Program	4,634,176	—
15.611	Wildlife Restoration and Basic Hunter Education	1,665,458	—
	Total Fish and Wildlife Cluster	6,299,634	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act	1,000,000	—
15.615	Cooperative Endangered Species Conservation Fund	86,736	—
15.616	Clean Vessel Act	386,107	350,242
15.622	Sport Fishing and Boating Safety Act	527	—
15.630	Coastal Program	7,104	—
15.633	Landowner Incentive	400,635	400,635
15.634	State Wildlife Grants	909,257	—
15.650	Research Grants (Generic)	487,766	—
15.657	Endangered Species Conservation – Recovery Implementation Funds	4,101	—
15.808	U.S. Geological Survey – Research and Data Collection	70,251	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	33,903	—
15.810	National Cooperative Geologic Mapping Program	332,217	—
15.814	National Geological and Geophysical Data Preservation Program	26,759	—
15.904	Historic Preservation Fund Grants-In-Aid	791,024	39,144
	Total U.S. Department of the Interior	10,836,021	790,021
	U.S. Department of Justice:		
16.017	Sexual Assault Services Formula Program	147,511	140,661
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	343,731	306,708
16.320	Services for Trafficking Victims	149,502	—
16.523	Juvenile Accountability Block Grants	903,509	636,873
16.523	Juvenile Accountability Block Grants Pass-Through - Essex County	31,800	—
16.523	Juvenile Accountability Block Grants Pass-Through - Passaic County	1,750	—
16.523	Juvenile Accountability Block Grants Pass-Through - Passaic County	17,403	—
	Total Juvenile Accountability Block Grants	954,462	636,873
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	1,936,413	1,579,721
16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	64,090	63,687
16.543	Missing Children's Assistance	511,006	—
16.548	Title V – Delinquency Prevention Program	72,643	68,551
16.550	State Justice Statistics Program for Statistical Analysis Centers	50,000	—
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	43,515	36,019
16.575	Crime Victim Assistance	11,260,778	9,370,470
16.576	Crime Victim Compensation	3,681,689	2,371,068
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	433,782	90,466
16.582	Crime Victim Assistance/Discretionary Grant	60,000	60,000
16.585	Drug Court Discretionary Grant Program	117,047	—

STATE OF NEW JERSEY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
16.588	Violence Against Women Formula Grants	\$ 3,136,870	2,612,582
16.588	ARRA – Violence Against Women Formula Grants	363,931	349,670
	Total Violence Against Women Formula Grants	3,500,801	2,962,252
16.593	Residential Substance Abuse Treatment for State Prisoners	164,728	73,882
16.606	State Criminal Alien Assistance Program	442,640	—
16.607	Bulletproof Vest Partnership Program	52,943	—
16.609	Project Safe Neighborhoods	231,836	156,227
16.727	Enforcing Underage Drinking Laws Program	372,160	366,308
	<i>JAG Program Cluster:</i>		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	7,558,772	5,682,382
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	8,796,653	5,354,883
	Total JAG Program Cluster	16,355,425	11,037,265
16.741	Forensic DNA Backlog Reduction Program	594,958	—
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	614,257	151,138
16.744	Anti-Gang Initiative	39,000	—
16.745	Criminal & Juvenile Justice & Mental Health Collaboration Program	60,073	—
16.750	Support for Adam Walsh Act Implementation Grant Program	138,431	—
16.800	ARRA – Internet Crimes against Children Task Force Program (ICAC)	407,244	—
16.801	ARRA – State Victim Assistance Formula Grant Program	202,138	202,138
16.802	ARRA – State Victim Compensation Formula Grant Program	616	—
16.808	ARRA – Edward Byrne Memorial Competitive Grant Program	1,954,701	—
16.812	Second Chance Act Prisoner Reentry Initiative	246,097	64,552
16.813	NICS Act Record Improvement Program	485,392	—
16.816	John R. Justice Prosecutors and Defenders Incentive Act	69,813	—
16.CON	Contractual Agreements	40,000	—
	Total U.S. Department of Justice	45,799,422	29,737,986
	U.S. Department of Labor:		
17.002	Labor Force Statistics	1,796,572	—
17.005	Compensation and Working Conditions	369,754	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service/Wagner-Peyser Funded Activities	19,312,465	208,442
	Total Employment Service/Wagner-Peyser Funded Activities	19,312,465	208,442
17.801	Disabled Veterans' Outreach Program (DVOP)	2,081,691	—
17.804	Local Veterans' Employment Representative Program	1,295,075	—
	Total Employment Services Cluster	22,689,231	208,442
17.225	Unemployment Insurance – Federal	140,640,896	—
17.225	ARRA – Unemployment Insurance – Federal	12,117,586	—
17.225	Unemployment Insurance – State	5,822,265,305	—
	Total Unemployment Insurance	5,975,023,787	—
17.235	Senior Community Service Employment Program	3,906,075	—
17.245	Trade Adjustment Assistance	4,408,174	3,694,119
	<i>WIA Cluster:</i>		
17.258	WIA Adult Program	34,054,736	19,188,466
17.258	ARRA – WIA Adult Program	6,705,819	4,759,507
	Total WIA Adult Program	40,760,555	23,947,973
17.259	WIA Youth Activities	17,257,820	17,257,820
17.259	ARRA – WIA Youth Activities	265,552	265,552
	Total WIA Youth Activities	17,523,372	17,523,372
17.278	WIA Dislocated Worker Formula Grants	21,584,484	21,527,486
	Total WIA Cluster	79,868,411	62,998,831
17.260	WIA Dislocated Workers	509,933	384,908
17.260	ARRA – WIA Dislocated Workers	776,842	776,842
	Total WIA Dislocated Workers	1,286,775	1,161,750
17.266	Work Incentive Grant	55,695	43,343
17.270	Reintegration of Ex-Offenders	57,274	57,274
17.271	Work Opportunity Tax Credit Program (WOTC)	585,689	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
17.273	Temporary Labor Certification for Foreign Workers	\$ 281,530	—
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	1,650,240	1,068,059
17.277	Workforce Investment Act (WIA) National Emergency Grants	1,509,690	1,456,144
17.277	ARRA - Workforce Investment Act (WIA) National Emergency Grants	776,175	707,417
	Total Workforce Investment Act National Emergency Grants	<u>2,285,865</u>	<u>2,163,561</u>
17.503	Occupational Safety & Health – State Program	2,544,388	—
17.504	Consultation Agreements	1,467,956	—
17.600	Mine Health and Safety Grants	56,995	—
	Total U.S. Department of Labor	<u>6,098,334,411</u>	<u>71,395,379</u>
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	230,342	—
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	657,456,590	188,052,543
20.205	ARRA – Highway Planning and Construction	85,971,002	—
	Total Highway Planning and Construction	<u>743,427,592</u>	<u>188,052,543</u>
20.219	Recreational Trails Program	839,245	649,734
	Total Highway Planning and Construction Cluster	<u>744,266,837</u>	<u>188,702,277</u>
20.218	National Motor Carrier Safety	6,183,354	—
20.232	Commercial Driver License Program Improvement Grant	826,223	—
20.234	Safety Data Improvement Program	87,362	—
20.237	Commercial Vehicle Information Systems & Networks	26,734	—
20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant	425,266	—
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	5,008,656	2,276,932
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,762,587	2,036,579
20.602	Occupant Protection Incentive Grants	736,816	594,012
20.609	Safety Belt Performance Grants	140,136	140,136
20.610	State Traffic Safety Information System Improvement Grants	499,475	49,156
20.612	Incentive Grant Program to Increase Motorcyclist Safety	204,259	—
20.613	Child Safety and Child Booster Seats Incentive Grants	531,869	391,474
	Total Highway Safety Cluster	<u>9,883,798</u>	<u>5,488,289</u>
20.700	Pipeline Safety Program Base Grants	1,520,799	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	398,886	375,834
20.721	PHMSA Pipeline Safety Program One Call Grant	5,129	—
20.UNA	Unassigned Catalog Numbers from Federal Government	1,305,735	—
20.CON	Contractual Agreements – Fatal Accident Reporting System	319,782	—
	Total U.S. Department of Transportation	<u>765,480,247</u>	<u>194,566,400</u>
	Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State & Local Fair Employment Practices Agency Contracts	675,675	—
	Total Equal Employment Opportunity Commission	<u>675,675</u>	<u>—</u>
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts – Partnership Agreements	1,101,432	701,430
	Total National Foundation on the Arts and the Humanities	<u>1,101,432</u>	<u>701,430</u>
	U.S. Small Business Administration:		
59.UNA	Unassigned Catalog Numbers from Federal Government	58,568	—
	Total U.S. Small Business Administration	<u>58,568</u>	<u>—</u>
	U.S. Department of Veterans Affairs:		
64.005	ARRA - Grants to States for Construction of State Home Facilities	272,740	—
64.009	Veterans Medical Care Benefits	1,899,526	1,899,526
64.024	VA Homeless Providers Grant and Per Diem Program	27,453,177	—
64.101	Burial Expenses Allowances for Veterans	815,500	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	583,089	—
64.203	State Cemetery Grants	829,201	—
	Total U.S. Department of Veterans Affairs	<u>31,853,233</u>	<u>1,899,526</u>
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	1,194,690	129,879
66.040	State Clean Diesel Grant Program	442,687	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
66.040	ARRA – State Clean Diesel Grant Program	\$ 303,806	—
	Total State Clean Diesel Grant Program	746,493	—
66.436	Surveys, Studies, Investigations, Demonstrations, Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	13,230	—
66.454	Water Quality Management Planning	934,278	63,678
66.454	ARRA – Water Quality Management Planning	377,898	377,898
	Total Water Quality Management Planning	1,312,176	441,576
66.458	Capitalization Grants for Clean Water State Revolving Funds	40,567,219	39,169,269
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	12,472,308	12,472,308
	Total Capitalization Grants for Clean Water State Revolving Funds	53,039,527	51,641,577
66.460	Nonpoint Source Implementation Grants	39,173	—
66.461	Regional Wetland Program Development Grants	143,702	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	19,623,475	16,458,676
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	2,128,773	2,128,773
	Total Capitalization Grants for Drinking Water State Revolving Funds	21,752,248	18,587,449
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	1,832	—
66.472	Beach Monitoring & Notification Program Implementation Grant	408,404	247,864
66.474	Water Protection Grants to the States	266,596	—
66.479	Wetland Program Grants – State/Tribal Environmental Outcome Wetland Demonstration Program	333,577	46,738
66.605	Performance Partnership Grants	24,478,022	4,201,753
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	134,650	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	243,573	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	245,101	—
66.708	Pollution Prevention Grants Program	45	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	97,227	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	3,135,588	—
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	1,978,470	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,450,647	—
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,193,709	—
	Total Leaking Underground Storage Tank Trust Fund Corrective Action Program	4,622,826	—
66.815	Environmental Workforce Development and Job Training Cooperative Agreements	66,645	66,628
66.817	State and Tribal Response Program Grants	748,814	—
	Total U.S. Environmental Protection Agency	113,024,139	75,363,464
	U.S. Department of Energy:		
81.041	State Energy Program	2,124,559	49,000
81.041	ARRA – State Energy Program	48,899,210	32,300,950
	Total State Energy Program	51,023,769	32,349,950
81.042	Weatherization Assistance for Low-Income Persons	1,575,910	1,306,723
81.042	ARRA – Weatherization Assistance for Low-Income Persons	54,345,108	52,534,053
	Total Weatherization Assistance for Low-Income Persons	55,921,018	53,840,776
81.087	ARRA – Renewable Energy Research and Development	1,184	—
81.089	Fossil Energy Research and Development	304,704	—
81.117	Energy Efficiency and Renewable Energy Information, Dissemination, Outreach, Training and Technical Analysis/Assistance	4,889	—
81.119	ARRA – State Energy Program Special Projects	261,564	261,564
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	577,229	—
81.127	ARRA – Energy Efficient Application Rebate Program (EEARP)	571,965	—
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	12,378,191	—
81.ADM	Administration Costs Consolidations	(55,820)	—
	Total U.S. Department of Energy	120,988,693	86,452,290
	U.S. Department of Education:		
84.002	Adult Education – Basic Grants to States	14,542,283	12,795,163
	<i>Title I, Part A Cluster:</i>		
84.010	Title 1 Grants to Local Educational Agencies	308,801,026	302,725,997
84.389	ARRA – Title 1 Grants to Local Educational Agencies, Recovery Act	37,953,601	37,827,797
	Total Title 1, Part A Cluster	346,754,627	340,553,794
84.011	Migrant Education: State Grant Program	1,420,560	1,264,525
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	2,358,434	925,061

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Special Education Cluster (IDEA):</i>		
84.027	Special Education – Grants to States	\$ 356,885,534	335,774,295
84.173	Special Education – Preschool Grants	11,383,579	11,075,257
84.391	ARRA – Special Education – Grants to States, Recovery Act	82,672,463	82,622,760
84.392	ARRA – Special Education – Preschool Grants, Recovery Act	3,720,138	3,719,969
	Total Special Education Cluster (IDEA)	454,661,714	433,192,281
	<i>Student Financial Aid Cluster:</i>		
84.032	Federal Family Education Loans	105,544,964	—
	Total Student Financial Aid Cluster	105,544,964	—
84.048	Career and Technical Education – Basic Grants to States	23,841,433	21,846,282
	<i>Vocational Rehabilitation Cluster:</i>		
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	52,190,001	19,307,224
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	4,035,971	3,580,241
	Total Vocational Rehabilitation Cluster	56,225,972	22,887,465
84.144	Migrant Education – Coordination Program	34,823	13,646
	<i>Independent Living State Grants Cluster:</i>		
84.169	Independent Living - State Grants	503,569	503,569
84.398	ARRA – Independent Living – State Grants	123,068	123,068
	Total Independent Living State Grants Cluster	626,637	626,637
	<i>Independent Living Services for Older Individuals Who Are Blind Cluster:</i>		
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	764,988	764,988
84.399	ARRA – Independent Living Services for Older Individuals Who are Blind, Recovery Act	309,027	300,373
	Total Independent Living Services for Older Individuals Who Are Blind Cluster	1,074,015	1,065,361
	<i>Early Intervention Services (IDEA) Cluster:</i>		
84.181	Special Education – Grants for Infants and Families	10,716,717	7,715,427
84.393	ARRA – Special Education – Grants for Infants and Families, Recovery Act	3,225,064	2,448,376
	Total Early Intervention Services (IDEA) Cluster	13,941,781	10,163,803
84.185	Byrd Honors Scholarships	(1,500)	(1,500)
84.186	Safe and Drug-Free Schools and Communities: State Grants	1,649,568	1,233,435
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	1,050,402	1,050,402
	<i>Education of Homeless Children and Youth Cluster:</i>		
84.196	Education for Homeless Children and Youth	1,601,177	1,465,307
84.387	ARRA – Education for Homeless Children and Youth, Recovery Act	150,028	150,028
	Total Education for Homeless Children and Youth Cluster	1,751,205	1,615,335
84.213	Even Start - State Educational Agencies	498,768	468,166
84.215	Fund for the Improvement of Education	90,565	89,332
84.224	Assistive Technology	752,215	752,215
84.243	Tech-Prep Education	345,746	—
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-service Training	65,481	(28,213)
84.282	Charter Schools	209,356	209,356
84.287	Twenty-First Century Community Learning Centers	23,794,440	22,770,739
84.293	Foreign Language Assistance	100,024	—
	<i>Education Technology State Grants Cluster:</i>		
84.318	Education Technology State Grants	2,583,982	2,479,218
84.386	ARRA – Education Technology State Grants, Recovery Act	4,207,617	3,921,787
	Total Education Technology State Grants Cluster	6,791,599	6,401,005
84.330	Advanced Placement Program	476,020	—
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	318,501	—
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,911,038	2,684,177
	<i>Teacher Quality Partnership Grants Cluster:</i>		
84.336	Teacher Quality Enhancement Grants	98,147	—
	Total Teacher Quality Partnership Grants Cluster	98,147	—
84.358	Rural Education	149	—
84.365	English Language Acquisition Grants	17,989,677	16,928,846
84.366	Mathematics and Science Partnerships	2,986,381	2,806,483
84.367	Improving Teacher Quality State Grants	65,534,363	63,798,512
84.369	Grants for State Assessments and Related Activities	7,461,578	—
84.371	Striving Readers	72,811	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>School Improvement Grants Cluster:</i>		
84.377	School Improvement Grants	\$ 8,046,221	6,351,589
84.388	ARRA – School Improvement Grants	12,403,525	12,403,525
	Total School Improvement Grants Cluster	20,449,746	18,755,114
84.378	College Access Challenge Grant Program	1,565,908	1,241,770
84.410	Education Jobs Fund	207,483,894	207,260,702
84.413	ARRA – Race To The Top	60,088	—
84.CON	Contractual Agreements – National Center Educational Statistics	225,728	—
84.UNA	Unassigned Catalog Numbers from Federal Government	34,788	31,799
	Total U.S. Department of Education	1,385,793,929	1,193,401,693
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	1,420,115	—
	Total U.S. Election Assistance Commission	1,420,115	—
	U.S. Department of Health and Human Services:		
93.009	Compassion Capital Fund	234,412	109,000
93.041	Special Programs for the Aging: Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	122,444	—
93.042	Special Programs for the Aging: Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	564,847	—
93.043	Special Programs for the Aging: Title III, Part D - Disease Prevention and Health Promotion Services	621,483	621,483
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	10,329,324	10,329,324
93.045	Special Programs for the Aging - Title III, Part C: Nutrition Services	18,281,749	16,770,003
93.053	Nutrition Services Incentive Program	3,753,669	3,753,669
	Total Aging Cluster	32,364,742	30,852,996
93.048	Special Programs for the Aging - Title IV & Title II - Discretionary Projects	318,453	75,527
93.051	Alzheimer's Disease Demonstration Grants to States	(388,869)	(398,587)
93.052	National Family Caregiver Support, Title III, Part E	4,392,013	4,174,003
93.069	Public Health Emergency Preparedness	25,277,637	12,953,913
93.070	Environmental Public Health and Emergency Response	527,530	251,210
93.071	Medicare Enrollment Assistance Program	18,644	(128)
93.072	Lifespan Respite Care Program	11,473	989
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	337,300	60,536
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	108,607	—
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,123,850	1,120,848
93.110	Maternal and Child Health Federal Consolidated Programs	299,393	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	4,050,250	2,673,291
93.127	Emergency Medical Services for Children	179,972	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	224,743	43,916
93.136	Injury Prevention and Control Research and State and Community Based Programs	996,464	858,026
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	76,502	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	2,911,771	2,818,260
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,585,551	2,349,653
93.165	Grants to States for Loan Repayment Program	153,050	—
93.197	Childhood Lead Poisoning Prevention Projects - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	305,312	221,999
93.217	Family Planning Services	3,324,693	2,971,593
93.235	Affordable Care Act (ACA) Abstinence Education Program	1,571,531	1,243,819
93.240	State Capacity Building	527,671	—
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	2,460,689	2,242,363
93.251	Universal Newborn Hearing Screening	310,195	157,185
93.262	Occupational Safety and Health Program	278,027	—
	<i>Immunization Cluster:</i>		
93.268	Immunization Grants	5,879,888	1,348,260
93.268	Immunization Grants (nonmonetary)	67,457,007	—
	Total Immunization Cluster	73,336,895	1,348,260

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	\$ 9,361,255	3,707,903
93.293	Public Health Law Social Distancing Project	77,915	—
93.296	State Partnership Grant Program to Improve Minority Health	159,856	27,500
93.402	ARRA – State Loan Repayment Program	252,109	—
93.414	ARRA – State Primary Care Offices	117,707	54,553
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	1,554,805	1,413,824
93.507	PPHF 2012 National Health Improvement Initiative	884,844	208,696
93.509	Affordable Care Act (ACA) State Health Care Workforce Development Grants	109,880	15,000
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	601,193	—
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	337,719	224,739
93.519	Affordable Care Act (ACA) Consumer Assistance Program Grants	46,187	—
93.521	Affordable Care Act	396,555	—
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA) Exchanges	802,851	—
93.538	Affordable Care Act – National Environmental Public Health Tracking Program Network Implementation	634,845	—
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	163,242	—
93.556	Promoting Safe and Stable Families	5,802,891	5,474,080
	<i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families	343,621,639	300,502,793
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Programs	13,655,365	13,655,365
	Total TANF Cluster	357,277,004	314,158,158
93.563	Child Support Enforcement	148,990,037	24,452,593
93.563	ARRA – Child Support Enforcement	188,206	—
	Total Child Support Enforcement	149,178,243	24,452,593
93.566	Refugee and Entrant Assistance - State Administered Programs	2,464,135	1,152,654
93.568	Low-Income Home Energy Assistance	178,467,952	22,942,123
	<i>CSBG Cluster:</i>		
93.569	Community Services Block Grant	16,582,095	15,744,600
93.710	ARRA – Community Services Block Grant	(7,476)	(7,476)
	Total CSBG Cluster	16,574,619	15,737,124
	<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	81,521,035	80,613,054
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	65,708,275	63,964,033
	Total CCDF Cluster	147,229,310	144,577,087
93.576	Refugee and Entrant Assistance - Discretionary Grants	25,817	362
93.586	State Court Improvement Program	1,103,433	—
93.590	Community Based Child Abuse Prevention Grants	2,576,095	2,492,587
93.597	Grants to States for Access and Visitation Programs	232,999	—
93.599	Chafee Education and Training Vouchers Program (ETV)	821,504	821,504
	<i>Head Start Cluster:</i>		
93.600	Head Start	194,152	—
93.708	ARRA – Head Start	302,402	—
	Total Head Start Cluster	496,554	—
93.605	Family Connection Grants	25,732	—
93.617	Voting Access for Individuals with Disabilities - Grants to State	21,175	21,175
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,654,894	584,912
93.643	Children's Justice Grants to States	507,212	331,773
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,455,830	—
93.658	Foster Care – Title IV-E	115,193,628	5,457,319
93.658	ARRA – Foster Care – Title IV-E	(12,484)	—
	Total Foster Care – Title IV-E	115,181,144	5,457,319
93.659	Adoption Assistance	42,340,936	—
93.667	Social Services Block Grant	59,023,398	24,400,973

STATE OF NEW JERSEY
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.669	Child Abuse and Neglect State Grants	\$ 673,516	673,516
93.670	Child Abuse and Neglect Discretionary Activities	256,097	254,214
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	2,146,915	2,145,913
93.674	Chafee Foster Care Independence Program	2,520,401	2,425,148
93.713	ARRA – Child Care and Development Block Grant	3,762,664	1,283,399
93.717	ARRA – Preventing Healthcare-Associated Infections	86,527	—
93.719	ARRA – Promote Health Information Technology	526,093	—
93.723	ARRA – Prevention & Wellness – State	814,854	388,123
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	581,124	411,003
93.767	Children's Health Insurance Program	614,981,529	16,140,015
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	1,516,323	73,175
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	3,805,673	—
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	11,283,754	—
93.778	Medical Assistance Program	5,678,657,138	4,163,267,721
93.778	ARRA – Medical Assistance Program	(11,519,114)	—
	Total Medicaid Cluster	5,682,227,451	4,163,267,721
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,534,679	764,165
93.791	Money Follows the Person Rebalancing Demonstration	10,083,051	10,082,194
93.793	Medicaid Transformation Grants	3,290	—
93.889	National Bioterrorism Hospital Preparedness Program	11,387,323	6,510,302
93.913	Grants to States for Operation of Offices of Rural Health	146,828	137,159
93.917	HIV Care Formula Grants	44,922,154	41,586,877
93.926	Healthy Start Initiative	466,649	326,255
93.928	Special Projects of National Significance	28,696	—
93.938	Support for School Health Program – Prevent Spread of Infectious Disease	521,859	48,197
93.940	HIV Prevention Activities: Health Department Based	14,119,349	8,648,447
93.941	HIV Demonstration, Research, Public and Professional Education Project	182,682	—
93.943	Epidemiologic Research Studies	263,027	241,495
93.944	Human Immunodeficiency Virus (HIV) Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	3,620,833	—
93.946	Cooperative Agreements to Support State Based Safe Motherhood and Infant Health Initiative Programs	77,150	—
93.958	Block Grants for Community Mental Health Services	9,496,036	9,352,599
93.959	Block Grants for Prevention and Treatment of Substance Abuse	45,409,375	38,503,583
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	3,243,601	84,357
93.982	Mental Health Disaster Assistance and Emergency Mental Health	150,846	131,823
93.991	Preventive Health and Health Services Block Grant	2,027,137	874,526
93.994	Maternal and Child Health Services Block Grant to the States	11,183,705	4,827,052
93.CON	Contractual Agreement	2,201,599	260,000
93.UNA	Unassigned Catalog Numbers from Federal Government	17,939	—
	Total U.S. Department of Health and Human Services	7,732,370,417	4,944,448,052
	Corporation for National and Community Service:		
94.003	State Commissions	346,988	—
94.004	Learn and Serve America - School and Community Based Programs	178,476	137,875
94.006	AmeriCorps	2,194,807	1,985,402
94.007	Program Development and Innovation Grants	89,259	—
94.009	Training & Technical Assistance	47,147	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	660,122	437,979
	Total Foster Grandparents/Senior Companion Cluster	660,122	437,979
94.013	Volunteers in Service to America	17,011	—
	Total Corporation for National and Community Service	3,533,810	2,561,256
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security – Disability Insurance	56,043,120	25,542
	Total Disability Insurance/SSI Cluster	56,043,120	25,542
96.UNA	Unassigned Catalog Numbers from Federal Government	6,061	—
	Total Social Security Administration	56,049,181	25,542

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	\$ 1,410,935	1,408,436
97.012	Boating Safety Financial Assistance	3,907,857	—
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	3,740	—
97.032	Crisis Counseling	218,514	209,328
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	69,796,531	61,477,335
97.041	National Dam Safety Program	41,681	—
97.042	Emergency Management Performance Grants	7,013,091	2,579,769
97.045	Cooperating Technical Partners	1,622,520	—
97.047	Pre-Disaster Mitigation	167,369	—
97.052	Emergency Operations Center	1,308,112	1,308,112
97.055	Inoperable Communications Equipment	1,132,578	343,616
97.056	Port Security Grant Program	7,306,358	2,035,832
97.067	Homeland Security Grant Program	75,180,173	44,033,206
97.078	Buffer Zone Protection Plan (BZPP)	2,361,421	1,795,700
97.089	Driver's License Security Grant Program	1,255,818	—
97.091	Homeland Security Biowatch Program	824,316	—
97.106	Securing the Cities	498,283	205,070
97.110	Severe Repetitive Loss Program	810,543	810,543
97.116	ARRA - Port Security Grant Program	790,315	—
97.UNA	Unassigned Catalog Numbers from Federal Government	1,569,987	—
	Total U.S. Department of Homeland Security	177,220,142	116,206,947
	Totals	\$ 18,827,695,335	7,234,302,148

See accompanying notes to the schedule of expenditures of Federal awards.

STATE OF NEW JERSEY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) **Basis of Presentation**

(a) ***Reporting Entity***

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2012. The State of New Jersey financial reporting entity is described in note 1B of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey, as defined above, for the year ended June 30, 2012.

(b) ***Federal Family Education Loan Program***

The State of New Jersey administers the Federal Family Education Loan Program – Guaranty Program (FFELP). During the fiscal year ended June 30, 2012 there were no new loans guaranteed or loans repurchased during the year and administrative costs amounted to approximately \$105,544,964 and are included in the accompanying Schedule. The principal outstanding for guaranteed loans as of July 1, 2011 and June 30, 2012 were \$3,388,826,000 and \$3,136,529,000, respectively. The loans guaranteed under the FFELP in previous years are not included in the accompanying Schedule.

(c) ***Federal Awards Programs Numbers***

Certain programs presented in the accompanying Schedule includes Federal award programs that have not been assigned a Catalog of Federal Domestic Assistance (CFDA) number, which are reported by the respective Federal Agency and titled "UNA". Programs under direct contract are titled "CON". The Administration Costs Consolidations under the U.S. Department of Energy is labeled "ADM".

(d) ***Supplemental Nutrition Assistance Program***

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for approximately 10.95 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2012.

STATE OF NEW JERSEY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(2) **Basis of Accounting**

(a) *General*

The accompanying Schedule includes the expenditures for each Federal financial assistance program of the State of New Jersey and is presented on the cash basis of accounting, which is based on cash disbursements for the period.

(b) *Highway Planning and Construction Program*

The amount presented in the Highway Planning and Construction Program (20.205) represents the summary of billings from the Department of Transportation to the Federal Government which include expenditures currently determined to be chargeable to the Federal program.

(c) *Nonmonetary Federal Awards*

The amounts identified in the Schedule as surplus foods, food stamps, commodities, and vaccines represent the dollar value of items consumed.

(3) **Matching Costs**

Matching costs, i.e., the non-Federal share of certain program costs, are not included in the accompanying Schedule.

(4) **Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of Federal financial reports vary by Federal agency and among programs administered by the same agency. Accordingly, the amounts reported in the Federal financial reports do not necessarily agree with the amounts reported in the accompanying Schedule, which is prepared on the cash basis explained in note 2.

(5) **Contingencies**

The State of New Jersey's participation in Federal funding is subject to review by the U.S. Department of Health and Human Services (HHS) as cognizant agency. HHS coordinates the review of findings and questioned costs with other Federal agencies. HHS and the other Federal agencies determine the ultimate allowability of expenditures charged to the Federal grants. The State of New Jersey is unable to determine the amounts, if any, that Federal agencies will disallow. Management is of the opinion that a liability, if any, resulting from any financial or compliance audits would not have a material effect on the Schedule.

The State of New Jersey is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the Schedule.



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**Independent Auditors' Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133**

The Governor
State of New Jersey:

Compliance

We have audited the State of New Jersey's (the State) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The schedule of expenditures of Federal awards and our audit described below does not include expenditures of Federal awards for those entities determined to be component units of the State of New Jersey for financial statement purposes. These entities may be required to have their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

Adverse

As described in finding 12-01 in the accompanying schedule of findings and questioned costs, the State did not comply with the subrecipient monitoring compliance requirement that is applicable to its Medicaid Cluster Program. Compliance with such requirement is necessary, in our opinion, for the State to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the State did not comply in all material respects, with the requirements referred to above that could have a direct and material effect on its Medicaid Cluster Program.

Qualifications

As identified in the following table and described in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to certain of its major Federal



programs. Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the identified major Federal programs.

Federal awarding agency	State administering agency	Federal program (CFDA number)	Compliance requirement	Finding number
Department of Energy	Board of Public Utilities	State Energy Program (including ARRA) (81.041)	Reporting	12-2
Department of Energy	Board of Public Utilities	State Energy Program (including ARRA) (81.041)	Davis-Bacon Act	12-4
Department of Energy	Board of Public Utilities	State Energy Program (including ARRA) (81.041)	Procurement, Suspension and Debarment	12-6
Department of Energy	Board of Public Utilities	State Energy Program (including ARRA) (81.041)	Subrecipient Monitoring/ Special Tests and Provisions	12-7
Department of Transportation	Department of Transportation	Highway Planning and Construction Cluster (including ARRA) (20.205, 20.219)	Reporting	12-13
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)	Matching/Suspension and Debarment/Subrecipient Monitoring	12-16
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)	Cash Management	12-17
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)	Period of Availability	12-18
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)	Reporting	12-19
Department of Homeland Security	Department of Law and Public Safety	Homeland Security Grant Program (97.067)	Equipment	12-21
Department of Homeland Security	Department of Law and Public Safety	Homeland Security Grant Program (97.067)	Reporting/Subrecipient Monitoring	12-24
Department of Agriculture Department of Health and Human Services	Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)/HIV Care Formula Grants (93.917)	Reporting	12-26
Department of Health and Human Services	Department of Human Services	Children's Health Insurance Program (93.767)	Activities Allowed or Unallowed/Allowable Costs/Costs Principles/ Eligibility	12-41



<u>Federal awarding agency</u>	<u>State administering agency</u>	<u>Federal program (CFDA number)</u>	<u>Compliance requirement</u>	<u>Finding number</u>
Department of Health and Human Services	Department of Human Services Department of Children and Families	TANF Cluster (including ARRA)(93.558 and 93.714)	Suspension and Debarment/ Subrecipient Monitoring	12-42
Department of Health and Human Services	Department of Human Services	TANF Cluster (including ARRA)(93.558 and 93.714)/ CCDF Cluster (93.575, 93.596)	Suspension and Debarment/ Subrecipient Monitoring/ Special Tests and Provisions	12-44
Department of Health and Human Services	Department of Human Services	CCDF Cluster (93.575, 93.596)	Subrecipient Monitoring/ Special Tests and Provisions	12-45
Department of Health and Human Services	Department of Human Services	Child Support Enforcement (including ARRA) (93.563)	Reporting	12-46
Department of Health and Human Services	Department of Human Services	TANF Cluster (including ARRA) (93.558, 93.714)/ Child Support Enforcement (including ARRA) (93.563)/ CCDF Cluster (93.575 93.596)/Children's Health Insurance Program (93.767)/Medicaid Cluster (including ARRA) (93.775, 93.777, 93.778)	Reporting	12-47
Department of Education	Department of Human Services	Vocational Rehabilitation (including ARRA) (84.126, 84.390)	Allowable Activities or Unallowed/Allowable Costs/Cost Principles	12-49

In our opinion, except for the noncompliance described in the preceding table, the State complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major Federal programs, except for the Medicaid Cluster Program for the year ended June 30, 2012. The results of our auditing procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 12-3, 12-5, 12-11, 12-14, 12-15, 12-20, 12-22, 12-23, 12-25, 12-29, 12-30, 12-32, 12-34, 12-36, 12-37, 12-38, 12-39, 12-40, 12-43, 12-48, 12-50, and 12-52.

Internal Control over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be



significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 12-1, 12-2, 12-4, 12-6, 12-7, 12-13, 12-16, 12-17, 12-18, 12-19, 12-21, 12-24, 12-26, 12-41, 12-42, 12-44, 12-45, 12-46, 12-47, and 12-49 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items: 12-3, 12-5, 12-8, 12-9, 12-10, 12-11, 12-12, 12-14, 12-15, 12-20, 12-22, 12-23, 12-25, 12-27, 12-28, 12-29, 12-30, 12-31, 12-32, 12-33, 12-34, 12-35, 12-36, 12-37, 12-38, 12-39, 12-40, 12-43, 12-48, 12-50, 12-51, and 12-52 to be significant deficiencies.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of the State of New Jersey, others within the entity, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 25, 2013

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditor's Results

Basic Financial Statements

- (a) An unqualified opinion was issued by the State Auditor, State of New Jersey, on the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2012.
- (b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses or significant deficiencies as reported in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2012.
- (c) The audit by the State Auditor, State of New Jersey disclosed no instances of noncompliance which are material to the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2012.

Single Audit

- (d) This audit of Federal financial assistance disclosed material weaknesses and significant deficiencies which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2012.
- (e) The type of report issued on compliance for major programs:

Adverse:

Medicaid Cluster (including ARRA)

Qualifications:

State Energy Program (including ARRA)
TANF Cluster (including ARRA)
CCDF Cluster (including ARRA)
Child Support Enforcement (including ARRA)
Children's Health Insurance Program
Vocational Rehabilitation Cluster (including ARRA)
Highway Planning and Construction Cluster (including ARRA)
Homeland Security Grant Program
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Special Supplemental Nutrition Program for Women, Infants and Children
HIV Care Formula Grants

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

The opinions for all other major programs are unqualified.

- (f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2012.
- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2012 were as follows:

U.S. Department of Agriculture:

- Supplemental Nutrition Assistance Program (SNAP) Cluster (10.551, 10.561)
- Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)
- Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)
- Child and Adult Care Food Program (10.558)

U.S. Department of Housing and Urban Development:

- Housing Voucher Cluster (14.871, 14.879)

U.S. Department of Labor:

- Unemployment Insurance (including ARRA) (17.225)
- Workforce Investment Act (WIA) Cluster (including ARRA) (17.258, 17.259, 17.278)

U.S. Department of Transportation:

- Highway Planning and Construction Cluster (including ARRA) (20.205, 20.219)

U.S. Environmental Protection Agency:

- Capitalization Grants for Clean Water State Revolving Funds (including ARRA) (66.458)
- Capitalization Grants for Drinking Water State Revolving Funds (including ARRA) (66.468)

U.S. Department of Energy:

- State Energy Program (including ARRA) (81.041)
- Weatherization Assistance for Low-Income Persons (including ARRA) (81.042)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

U.S. Department of Education:

- Title I, Part A Cluster (including ARRA) (84.010, 84.389)
- Special Education Cluster (IDEA) (including ARRA) (84.027, 84.173, 84.391, 84.392)
- Vocational Rehabilitation Cluster (including ARRA) (84.126, 84.390)
- Improving Teacher Quality State Grants (84.367)
- Education Jobs Fund (84.410)

U.S. Department of Health and Human Services:

- Immunization Cluster (93.268)
- Temporary Assistance for Needy Families (TANF) Cluster (including ARRA) (93.558, 93.714)
- Child Support Enforcement (including ARRA) (93.563)
- Low-Income Home Energy Assistance (93.568)
- Child Care and Development Fund (CCDF) Cluster (93.575, 93.596)
- Foster Care – Title IV-E (including ARRA) (93.658)
- Adoption Assistance (93.659)
- Social Services Block Grant (93.667)
- Children’s Health Insurance Program (93.767)
- Medicaid Cluster (including ARRA) (93.775, 93.777, 93.778)
- HIV Care Formula Grants (93.917)
- Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security:

- Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)
- Homeland Security Grant Program (97.067)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(h) The dollar threshold used to distinguish between type A and type B programs was \$33,324,782 for Federal awards for the year ended June 30, 2012.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2012.

(2) Findings Related to the Basic Financial Statements Reported in Accordance with *Government Auditing Standards*:

The State Auditor, State of New Jersey issued under separate cover the report in accordance with *Government Auditing Standards*. No findings were required to be reported by the State Auditor.

(3) Findings and Questioned Costs Relating to Federal Awards:

See appendix of findings items 12-1 to 12-52.

APPENDIX OF FINDINGS

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1105NJARRA (7/1/10 – 6/30/12) [ARRA]

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-1: Subrecipient Monitoring

Finding Type: Adverse, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Medical Assistance and Health Services (the Department), is the primary agency responsible for the administration of the Medicaid Cluster (Medicaid) for the State of New Jersey (the State). The Department utilizes the County Welfare Agencies (CWAs) to perform eligibility determinations and redeterminations for Medicaid. The CWAs collect and maintain supporting documentation for each eligibility determination and redetermination in a case file. The State pays the Medicaid benefits on behalf of eligible beneficiaries to providers and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by the CWAs.

The Department's subrecipient monitoring procedures over eligibility determinations and redeterminations at the CWAs relies on reviews performed by the Bureau of Quality Control (BQC). The BQC performed 300 of 1,044 MEQC eligibility reviews for Medicaid benefits paid on behalf of eligible individuals to providers for the period of July 1, 2011 through June 30, 2012 (State fiscal year 2012). The 300 reviews were an improvement from the prior year in which there were no cases reviewed by the BQC. Other than the reviews performed over Stratum II cases by the BQC, there were no other reviews performed over the redeterminations for State fiscal year 2012. The Department attempted to analyze redeterminations performed at the CWAs during State fiscal year 2012; however the data utilized was not reliable. During State fiscal year 2013, the Department began running redetermination monitoring reports with reliable data to determine the percentage of redeterminations performed and entered into the system at the CWAs. As of July 2012, the average redetermination percentage performed has reached 52% for all CWAs.

Despite actions taken by the Department to address the prior year findings, we noted for a sample of ninety-five State fiscal year 2012 Medicaid beneficiaries selected for testwork at the CWAs, the following:

- For three beneficiaries selected for testwork, the current year redetermination was not performed within the twelve month period after the prior year redetermination. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2012 were \$45,518. We consider these payments to be questioned costs.
- For two beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility within the case file. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2012 were \$6,150. We consider these payments to be questioned costs.
- For six beneficiaries selected for testwork, the CWA was unable to provide the file to support the eligibility determination made. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2012 were \$15,679. We consider these payments to be questioned costs.

Total program expenditures for Medicaid included on the Schedule of Expenditures of Federal Awards were \$5,682,227,451 for State fiscal year 2012.

A similar finding was included in the 2011, 2010, 2009, 2008 and 2007 prior year single audit reports as items 11-2, 10-1, 09-1, 08-1, and 07-42, respectively.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Cause

The CWAs are not properly determining and redetermining eligibility for Medicaid recipients.

Effect

Payments under the Medicaid program may be processed on behalf of ineligible clients for services received in a given fiscal year.

Recommendation

We recommend that the Department continue its efforts, as described above, to strengthen its subrecipient monitoring procedures over the CWAs to ensure eligibility determinations and redeterminations are properly supported, performed and reviewed on a timely basis.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-2 Reporting

Finding Type: Qualified, Material Weakness

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure third party providers have appropriate internal controls to process transactions and prepare reports properly and in compliance with Federal requirements.

Condition

The Board of Public Utilities (BPU) has contracted with Applied Energy Group, Inc. (AEG), a third-party service organization, to develop and provide overall management of the Information Management System (IMS). AEG's responsibilities include providing application development and maintenance support, invoice processing, and reporting. IMS is used to process invoices and maintain data used to prepare Federal financial and ARRA Section 1512 reports. The BPU relies upon the data generated and maintained in IMS for both its financial and ARRA Section 1512 reports.

We noted that the BPU does not currently require AEG to receive an audit in accordance with the Statement on Standards for Attestation Engagements No. 16 (SSAE 16), formerly Statement on Auditing Standards No. 70 (SAS 70), which requires an independent auditor to evaluate and issue an opinion on a service organization's internal controls placed into operation and tested for operating effectiveness. As a result, the BPU is not able to adequately monitor its third-party service organization to determine whether internal controls that are essential to compliance with Federal requirements for the above program are operating effectively. Having a SSAE 16 report for the service organization would give the BPU better assurance that internal controls over compliance with the Federal requirements of the program are properly designed and operating effectively.

Cause

The BPU's contract with AEG does not require an audit in accordance with SSAE 16.

Effect

Amounts reported in Federal financial and ARRA Section 1512 reports may not be complete and accurate.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the BPU review its procedures for monitoring its third-party service organization and implement any changes necessary to ensure internal controls are properly designed and operating effectively at the service organization.

Related Noncompliance

Based on the above, the BPU was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-3 Cash Management

Finding Type: Noncompliance, Significant Deficiency

Criteria

State Energy Program regulations promulgated by the U.S. Department of Energy state that program funds may be advanced to fund a revolving loan fund (RLF) if one of the following criteria for obligation are met:

- a. Receipt of a loan application from potential borrowers;
- b. State or local requirements (regulatory, statutory, or constitutional) dictate that funds be available in advance;
- c. The distribution account is operated by a third party; or
- d. If the grantee establishes and operates a RLF, funds would be considered obligated by the grantee upon submitting a letter to the Project Officer and receiving a confirmation response from the Project Officer. The letter must: (1) provide the strategy for the RLF and (2) identify the scope and size of the loan program.

Condition

For five of the forty drawdowns selected for testwork, we noted that the funds were drawn down in advance of the disbursement as the funds were used to fund a RLF, totaling \$1,316,823. The Board of Public Utilities (BPU) did not provide evidence that at least one of the four criteria for obligation of the RLF was met prior to making the advance drawdown.

We noted the amounts drawn down in advance were placed into an interest-bearing account and that all interest earned on the advanced funds was properly rolled into the RLF in accordance with program requirements.

Cause

The BPU does not have sufficient procedures and internal controls in place to ensure advance drawdowns are properly supported and meet the program regulations.

Effect

RLF funding was drawn down in advance without being properly supported by evidence that the criteria for obligation were met.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the BPU implement procedures to ensure drawdowns for the RLF are properly supported to ensure compliance with the requirements.

Related Noncompliance

Based on the above, the BPU was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-4 Davis-Bacon Act

Finding Type: Qualified, Material Weakness

Criteria

When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-Federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

Condition

We selected forty certified payrolls received by the Board of Public Utilities (the BPU) for work performed by various contractors. For four of the forty items selected, the BPU did not have evidence of reviewing the certified payrolls for compliance with the Davis-Bacon Act requirements. The four contractors received \$5,245,351 in total payments during State fiscal year 2012.

For two of the four contractors, the BPU did not have evidence that the contractor submitted the required certified payroll with their payment request to support that the appropriate prevailing wage rates were paid to their employees. The two contractors who did not submit certified payrolls received total payments of \$3,326,567. The total amount of payments included in our sample was \$8,567,159.

Cause

The BPU's internal controls are not operating effectively to ensure that the required certified payroll reports are submitted by the contractors and are properly reviewed.

Effect

The contractor may not be paying its employees the prevailing wage rates established by the DOL.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the BPU implement procedures to ensure that certified payrolls are received from contractors and are properly reviewed by the BPU to verify compliance with the above requirements.

Related Noncompliance

Based on the above, the BPU was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-5 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both a financial status and a cash report unless otherwise indicated.

American Recovery and Reinvestment Act Reporting

Section 1512 of ARRA includes reporting requirements applicable to recipients of awards under ARRA Division A. This section (III.L, Reporting) is relevant only for awards received as a prime recipient. This section is not applicable to awards received by a 1st tier-subrecipient (as defined in Appendix VII) or by a lower-level subrecipient. An entity could have received awards as both a recipient and a subrecipient within a major program.

OMB has issued many documents that provide guidance on the reporting requirements under ARRA (located at http://www.whitehouse.gov/omb/recovery_default/). Among them, M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009), provides relevant information for the audit procedures. The M-09-21 guidance covers the reporting requirements of Section 1512 of ARRA and includes two supplements: (1) a list of programs subject to the ARRA reporting requirements, and (2) a Recipient Reporting Data Model. M-09-21 provides extensive guidance for recipients and Federal agencies.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Condition

The Board of Public Utilities (the BPU) is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. We selected two FFRs submitted for the State fiscal year 2012. For one of the two FFRs selected, the Federal share of unliquidated obligations reported was understated by \$4,940,599. The amount reported was \$31,193,960 and the supporting documentation provided by the BPU showed that the actual Federal share of unliquidated obligations that should have been reported was \$36,134,559. This error was corrected in the following quarter's FFR.

Additionally, the BPU did not submit the quarterly FFR for the quarter ended June 30, 2012.

The BPU is also required to submit quarterly ARRA Section 1512 reports of ARRA funds expended and passed through to subrecipients. The BPU relies upon a report from the Information Management System (IMS) to prepare the ARRA Section 1512 reports. There is no review by the BPU for verification of the completeness and accuracy of the reports. The expenditures reported are not agreed to the general ledger prior to submission.

Cause

The BPU's internal controls are not properly designed or operating effectively to ensure the completeness and accuracy of financial and ARRA Section 1512 reports.

Effect

The Federal share of unliquidated obligations in the FFR for the quarter ended December 31, 2011 was not accurate. The ARRA Section 1512 reports may not be complete and accurate.

Recommendation

We recommend that the BPU implement procedures to ensure reports are reviewed and verified to be complete and accurate prior to submission.

Related Noncompliance

Based on the above, the BPU was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-6 Procurement, Suspension and Debarment

Finding Type: Qualified, Material Weakness

Criteria

Procurement

States, and governmental subrecipients of States, shall use the same State policies and procedures used for procurements from non-Federal funds. They also shall ensure that every purchase order or other contract includes any clauses required by Federal statutes and executive orders and their implementing regulations.

All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

In addition to those statutes listed in the A-102 Common Rule and OMB Circular A-110, Section 1605 of ARRA prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. This results in making the Buy-American Act apply to these ARRA awards. ARRA provides for waiver of these requirements under specified circumstances. An award term is required in all ARRA-funded awards for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140). Further information about this requirement, including applicable definitions, is found in 2 CFR part 176, Subpart B. 2 CFR part 176, including the award term, was amended effective March 25, 2010 [75 FR 14323] to reflect changes regarding international agreements. These changes include (1) beginning January 1, 2010, raising the threshold that applies to international agreements, from \$7,430,000 to \$7,804,000 and (2) recognizing agreements or signatories to agreements subsequent to the original publication of 2 CFR part 176.

With respect to international agreements (see 2 CFR section 176.90), the Buy-American requirement set out in 2 CFR section 176.70 may not be applied where the iron, steel or manufactured goods used in the project are from a Party to an international agreement (see the Appendix to Subpart B of 2 CFR part 176 – U.S. States, Other Sub-Federal Entities, and Other Entities Subject to U.S. Obligations under International Agreements, for covered recipients (subrecipients), Parties, and exclusions). In these cases, under an international agreement described in the Appendix to Subpart B of 2 CFR part 176, a recipient (subrecipient) is required to treat the goods and services of the applicable Party in the same manner as domestic goods and services. This obligation applies to projects with an estimated value in excess of the current threshold and projects that are not specifically excluded from the application of those agreements. If a recipient (subrecipient) is not covered by an international agreement, the only possible exceptions to the Buy-American requirements are those specified in 2 CFR section 176.80.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

We selected sixteen procurements for purposes of testing the Board of Public Utilities's (the BPU's) competitive bidding and contracting process. For three of the sixteen procurements selected, the BPU could not provide the bids received, bid evaluations, or executed contracts to evidence compliance with the state procurement policies and Federal requirements. As such, we could not ensure the BPU's compliance with the procurement and suspension and debarment requirements for these three contracts. The three vendors received \$8,190,578 in Federal funds during the State fiscal year 2012.

We also selected forty vendors and subrecipient transactions and verified the BPU reviewed purchases for compliance with the Buy-American Act requirements. For two of the forty items selected, the BPU did not obtain or review evidence that purchases met the Buy-American Act requirements. The total payments related to the two transactions were \$3,326,567. The forty vendors and subrecipient transactions sampled totaled \$8,567,159.

We also noted that the BPU does not have a process in place to ensure that subrecipients are not suspended or debarred. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List system maintained by the General Services Administration (GSA) and, therefore, were not suspended or debarred. Total amounts passed through to subrecipients by the BPU were \$32,300,950 for the State fiscal year 2012.

Cause

The BPU's internal controls are not properly designed or operating effectively to ensure compliance with the procurement and suspension and debarment requirements.

Effect

The procurements may not have complied with the State procurement policies and purchases may not have complied with the Buy-American Act. In addition, Federal funds could be granted to subrecipients that have been suspended or debarred.

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Recommendation

We recommend that the BPU implement procedures to ensure bidding and contract documents are maintained and suspension and debarment verifications are performed for all vendors and subrecipients. Additionally, we recommend the BPU implement procedures to ensure all vendor and subrecipient purchases are reviewed for compliance with the Buy-American Act.

Related Noncompliance

Based on the above, the BPU was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-7 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, “Eligibility for Subrecipients,” for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- Central Contractor Registration (CCR) – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award.
- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).-
- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring

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that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., if the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems). Evaluation of subrecipient risk also may take into consideration the extent of Federal monitoring of subrecipient entities that also are recipients of prime Federal awards.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Special Tests and Provisions

R3 – Subrecipient Monitoring

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition

For one of the six ARRA subrecipients selected for testwork, the Board of Public Utilities (the BPU) did not identify to the subrecipient at the time of the award all required Federal award information (i.e., CFDA title and number; award name and number) as required by the subrecipient monitoring requirement stated above. In addition, for one other subrecipient of the six selected, the BPU provided an incorrect CFDA number at the time

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of award. These two subrecipients received a total of \$1,845,662 in program funding during State fiscal year 2012.

Also, the BPU did not obtain evidence of Central Contractor Registration for the six ARRA subrecipients included in the sample. The six subrecipients selected received \$30,972,491 in program funding during State fiscal year 2012.

For three of the six ARRA subrecipients selected for testwork, the BPU did not provide documentation of site visits or other monitoring of compliance with program requirements. These three subrecipients received \$13,625,922 in program funding in State fiscal year 2012.

For each of the ARRA subrecipient transactions selected, the BPU did not communicate the Federal award information at the time of disbursement (i.e., CFDA title and number; award name and number, and the amount of ARRA funds).

The total subrecipient transactions tested in our sample was \$8,649,932. There was a total of \$32,300,950 of pass-through grant expenditures in State fiscal year 2012.

Cause

The BPU's internal controls are not operating effectively to ensure compliance with the subrecipient monitoring and special tests and provisions requirements.

Effect

The subrecipient entities may not accurately report the Federal funds received for the program on their Schedule of Expenditures of Federal Awards and the subrecipients may not be accurately reported on ARRA reports without the proper registration with the Central Contractor Registration.

Recommendation

We recommend that the BPU implement procedures to ensure the Federal award, CFDA and ARRA information is properly communicated to the subrecipients at the time of the award and disbursement of ARRA funds. We also recommend that the BPU establish procedures to ensure subrecipients are properly registered in the Central Contractor Registration.

Related Noncompliance

Based upon the above, the BPU was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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State Energy Program (including ARRA) (81.041)

Grant Award Number and Year:

DE-EE0000258 (4/30/2009 – 5/31/2012) [ARRA]

State Agency: Board of Public Utilities

Federal Agency: U.S. Department of Energy

Finding: 12-8 Reporting

Finding Type: Significant Deficiency

Criteria

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental subrecipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), NJ Department of Treasury, generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFIS). The Board of Public Utilities (BPU) prepares the Federal Financial Reports (FFRs) for the State Energy Program from NJCFIS and is responsible for reconciling the amount reported on the FFRs to the amount reported on the SEFA. On an annual basis, OMB requests the Departments to confirm the expenditures and pass-through payments to subrecipients and report any adjustments to the SEFA to ensure the expenditures of each Federal program are accurately reported.

Our testwork noted the Board did not properly report adjustments to OMB to ensure the SEFA expenditures for the State Energy Program were accurately stated as follows:

- \$7,899,203 was reported in NJCFIS as other than personal service expenditures and was not coded as pass-through payments to subrecipients as the underlying details supported. The BPU did not report the pass-through payments to OMB to ensure the amounts were properly stated on the SEFA. OMB has subsequently adjusted the SEFA after the audit noted the misclassification.
- A negative adjustment for \$848,146 was included in the SEFA details which represented unallowable costs not reported as expenditures on the State Energy Program in the FFR reports. The BPU does analyze the expenditures for FFR reporting purposes but does not report the adjustments to OMB to ensure the SEFA

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is accurately reported. Prior to the adjustment made after audit inquiry the SEFA was understated by \$848,146.

Cause

The BPU did not properly evaluate the expenditures reported on the SEFA and communicate unallowable expenditures or pass-through payments to OMB upon the annual SEFA expenditure confirmation process.

Effect

The State Energy Program pass-through grant expenditures on the current year SEFA were understated by \$7,899,203 and total expenditures on the current year SEFA were understated by \$848,146.

Recommendation

We recommend that the BPU implement procedures to notify OMB of any adjustments that need to be made to the SEFA as a result of the reconciliation of the expenditures reported on the FFRs to the State's underlying financial records maintained on NJCFS.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Adoption Assistance (93.659)

Grant Award Numbers and Years:

G1002NJ1407 (10/01/2009 – 9/30/2011), G1102NJ1407 (10/01/2010 – 9/30/2012), G1102NJ1407 (10/01/2010 – 9/30/2012), G1202NJ1407 (10/01/2011 – 9/30/2013)

State Agency: Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-9 Eligibility

Finding Type: Significant Deficiency

Criteria

Adoption assistance subsidy payments may be paid on behalf of a child only if all the Federal requirements are met.

Condition

The Department has a policy that adoptive parents are required to sign and return a subsidy agreement renewal form on an annual basis. We noted that nine out of sixty-five cases selected for testwork the subsidy agreement renewal form for State fiscal year 2012 was not received by the Department. There are no questioned costs associated with this finding as the renewal form is required to comply with Departmental policy; however, it is not required on an annual basis according to Federal regulations.

A similar finding was included in the 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 11-25, 10-16, 09-26, 08-25, and 07-41, respectively.

Cause

The Department did not ensure that all required forms were included in the files and signed by the appropriate parties in a timely manner.

Effect

Payments could be made on behalf of recipients that no longer have children in their care.

Recommendation

The Department should ensure that the adoption assistance documentation is complete, accurate and timely for proper payment determination.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

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See management's corrective action plan.

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Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Grant Award Numbers and Years:

Adoption Assistance: G1002NJ1407 (10/01/2009 – 9/30/2011), G1102NJ1407 (10/01/2010 – 9/30/2012), G1102NJ1407 (10/01/2010 – 9/30/2012), G1202NJ1407 (10/01/2011 – 9/30/2013)

Foster Care: G1002NJ1401 (10/01/2009 – 9/30/2011), G1102NJ1401 (10/01/2010 – 9/30/2012), G1002NJ1401 (10/01/2009 – 9/30/2011), G1102NJ1401 (10/01/2010 – 9/30/2012), G1202NJ1401 (10/01/2011 – 9/30/2013)

State Agency: Office of Information Technology
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-10 Other Requirements – Information Technology General Controls

Finding Type: Significant Deficiency

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Enterprise Business Services Unit (EBSU) of the Department of Human Services (DHS) oversees the administration of servers, networks, and databases that make up the technical infrastructure for New Jersey Statewide Protective Investigation, Reporting and Information Tool (NJSPIRIT) application. NJSPIRIT application management is provided by Department of Children and Family Services (DCF) staff that includes loaned staff from State of New Jersey's Office of Information Technology (OIT). EBSU and DCF staff develop and maintain a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with NJSPIRIT.

We noted the following deficiencies in the design of IT general controls over NJSPIRIT. This finding is repeated from the prior year single audits since 2008. The Department has not implemented a corrective action to address the following deficiencies.

1. Disaster Recovery Test

- A complete Disaster Recovery (DR) test was not performed for NJSPIRIT during State fiscal year 2012. It was noted that a partial test was performed, but did not incorporate all the requirements for an overall DR test.

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2. *User Access Provisioning*

- User access modifications to NJSPIRIT and supporting approvals could not be validated as the NJSPIRIT application does not maintain a system log of changes that were made during State fiscal year 2012.

A similar finding was included in the 2011, 2010, 2009, and 2008 prior year single audit reports as items 11-28, 10-17, 09-28, and 08-6, respectively.

Cause

1. *Disaster Recovery Test*

- During State fiscal year 2012, a complete Disaster Recovery test was not performed for the NJSPIRIT application. Partial tests were performed and a formalized test report was not developed that outlined the output. The test was partially performed due to the lack of equipment that is required for execution of a full Disaster Recovery test.

2. *User Access Provisioning*

- The NJSPIRIT application does not maintain a system log regarding changes that have been made to user account access. As a result, it was not possible to obtain an accurate population of user account access changes during State fiscal year 2012.

Effect

1. *Disaster Recovery Test*

- The absence of a complete periodic recovery tests may prevent recovery of the NJSPIRIT application data in case of a disaster.

2. *User Access Provisioning*

- The absence of a system log of changes made to user accounts in the NJSPIRIT application does not provide management a clear understanding of the total population of changes made to user accounts in the NJSPIRIT application during a fiscal year. Therefore, management is not being able to validate that the total population of user access changes have followed the appropriate change process and approval policies, and that all users are granted appropriate levels of access.

Recommendation

1. *Disaster Recovery Test*

- We recommend that Disaster Recovery procedures are planned and periodic Disaster Recovery tests are performed.

2. *User Access Provisioning*

- We recommend that all user access modification requests related to the NJSPIRIT application are properly documented, approved and maintained and a system log of user accounts that have had access modifications, including the details of what was modified and when, are also maintained.

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Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Child and Adult Care Food Program (10.558)

Grant Award Numbers and Years:

11111NJ304N2020 (10/1/10 – 9/30/11), 12121NJ304N2020 (10/1/11 – 9/30/12)

State Agency: Department of Agriculture

Federal Agency: U.S. Department of Agriculture

Finding: 12-11 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

The State agency is responsible for monitoring the institution's non-profit status to ensure that all reimbursements shall be used solely for the conduct of the food service operation or to improve such food service operations, principally for the benefit of the enrolled participants (7 CFR section 226.7(b)) and 42 USC 1766 (d)(1)(B)).

The State agency is required to assess institutional compliance by performing on-site reviews of independent centers, sponsoring organizations of centers, and sponsoring organizations of day care homes, including reviews of new organizations, in accordance with a schedule prescribed in 7 CFR section 226.6(m) and 42 USC 1766 (d)(2)(A).

Condition

The Department performs an Administrative Review for each sponsor at least once every three years. The Administrative Review consists of an in-depth review of the sponsor's procedures, records, and compliance with Federal program requirements. For one of the forty sponsors selected for testwork, we noted that the Department did not perform an Administrative Review. This sponsor received \$35,069 in Federal funds in fiscal year 2012 and the total Federal funds received by the forty sponsors in our sample was \$3,515,560. The Department maintains a log of all Administrative Reviews, however this sponsor was erroneously excluded. This sponsor had been receiving program funds since 2006 and an Administrative Review should have been performed in 2009 and 2012.

Cause

The Department does not verify the completeness of the Administrative Review log to ensure all sponsors are included and appropriate reviews are performed.

Effect

The Department is not in properly monitoring its subrecipients.

Recommendation

We recommend that the Department establish procedures to ensure the appropriate Administrative Review is performed on all subrecipients.

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Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

L24E0017166 (9/22/11), L24E0001259 (9/22/11), L24E7051111 (9/21/11), L05E0005117 (9/13/11), L05E0017165 (9/22/11), LY900031127 (9/14/11), L1CE0001260 (8/15/11), L1CE7091166 (5/24/11), L1CE7811117 (5/23/11), L1CE0037144 (5/19/11), L05E0050125 (3/2/12), L24EC00S279 (1/23/12), L24EC00S278 (1/19/12), L05E0011053 (1/6/12), L1CE0016163 (9/20/11), L1CE0037142 (9/7/11), L05E7111119 (9/15/11), L01E0785107 (6/15/11)

State Agency: Department of Transportation

Federal Agency: U.S. Department of Transportation

Finding: 12-12 Davis-Bacon Act

Finding Type: Significant Deficiency

Criteria

When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, ARRA, or by Federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by Federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Non-Federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (*OMB No. 1215-0149*).

The requirements of the Davis-Bacon Act are applicable to construction work on highway projects on Federal-aid highways or with ADHS funds. These requirements are not applicable to Federal-aid construction projects that are not located within the right-of-way of a Federal-aid highway. FHWA has provided guidance on the applicability of Davis-Bacon Act requirements on the Internet at: <http://www.fhwa.dot.gov/construction/contracts/080625.cfm> (23 USC 113 and 40 USC 14701).

Condition

The Wage Rate Unit requires the Resident Engineer to conduct wage rate inspections monthly and submit this documentation with the certified payrolls as an internal control to ensure compliance with the Davis-Bacon Act prevailing wage requirements. We selected forty certified payrolls submitted during State fiscal year 2012 and verified the required wage rate inspections were performed. For thirteen of the certified payrolls tested, wage rate inspections were not performed. The total State fiscal year 2012 expenditures related to these projects were \$17,478,343. The certified payrolls were signed by the contractors and contained the copies of the payrolls.

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The Wage Rate Unit also performs an initial review of the certified payrolls submitted for each project and documents this review on the Certified Payroll Analysis Form. We selected twenty-eight initial Certified Payroll Analysis Forms for projects initiated in State fiscal year 2012. For eleven of the Certified Payroll Analysis Forms tested, the initial review was not completed timely, with the review being performed two to eight months after the project began. The total State fiscal year 2012 expenditures related to these projects were \$6,883,121.

A similar finding was included in the 2011, 2010, and 2009 single audit reports as items 11-33, 10-24, and 09-34, respectively.

Cause

The procedures in place to ensure required wage rate inspections are performed are not being followed. Additionally, there are not sufficient procedures in place to ensure timely submission of payroll summaries and certified payrolls to ensure initial reviews are performed timely.

Effect

The Department may not be in compliance with the Davis-Bacon Act requirements.

Recommendation

We recommend that the Department implement procedures to ensure that all wage rate inspections are performed and payroll summaries and certified payrolls are submitted timely.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

Various

State Agency: Department of Transportation

Federal Agency: U.S. Department of Transportation

Finding: 12-13 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds.

For contracts, implementation was phased in for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$20,000,000 or more.
- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$550,000 or more.
- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

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Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Condition

The Department has an obligation to report subaward data as required under the Federal Funding Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this new requirement in State fiscal year 2012 for subawards subject to FFATA.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the required subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

Various

State Agency: Department of Transportation

Federal Agency: U.S. Department of Transportation

Finding: 12-14 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Special Tests and Provisions

R3 – Subrecipient Monitoring

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Tracking System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency’s responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;

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Year ended June 30, 2012

- Update the GSA system online.

The Department of Transportation (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients which include transportation authorities and agencies.

During the State fiscal year 2012, five subrecipients were required to submit OMB Circular A-133 audit reports to the Department. The Department had not entered any information in the GSA system regarding receipt or desk review of the five audit reports, even though four of the five audit reports had been received and three audit reports had been desk reviewed. The Department was not updating the GSA system timely to reflect the receipt of OMB Circular A-133 audit reports and the results of the desk review. Additionally, the desk review did not address subrecipient compliance with American Recovery and Reinvestment Act of 2009 (ARRA) requirements.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure timely and accurate updating of the GSA system. The Department's desk review checklist does not address ARRA requirements.

Effect

Subrecipients may not be performing appropriate or timely corrective action on audit findings noted during the desk review process. Information regarding monitoring of subrecipients may not be properly updated in the GSA online system to allow other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients. Additionally, subrecipients may not be complying with the requirements to separately report ARRA funds on the Schedule of Expenditures of Federal Awards.

Recommendation

We recommend that the Department implement procedures to ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports. Additionally, we recommend the Department update its desk review checklist to address ARRA requirements.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Number and Year:

1889DRNJP00000001 (3/23/10 – 12/31/13)

State Agency: Department of Law and Public Safety
Department of Transportation

Federal Agency: U.S. Department of Homeland Security

Finding: 12-15 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Type: Noncompliance, Significant Deficiency

Criteria

Equipment Usage – The PA program restricts eligible direct costs for applicant-owned equipment used to perform eligible work to reasonable rates that were established under State guidelines, or when the hourly rate exceeds \$75, rates may be determined on a case-by-case basis by FEMA. When local guidelines are used to establish equipment rates, reimbursement is based on those rates or rates in a Schedule of Equipment Rates published by FEMA, whichever is lower. Provision is also made when no rates are established or the entity wishes to claim an equipment rate that exceeds the FEMA Schedule (44 CFR section 206.228(a)(1)).

Condition

The Department of Transportation utilizes the Maintenance Management System (MMS) to track daily work activities. When a disaster is declared, the Department of Transportation staff will input the dates of the disaster as well as the crew, equipment, and materials used during the declared disaster period. The equipment rates used in MMS are the rates published by FEMA. A report from MMS is used as supporting documentation for the project worksheet, which is submitted to FEMA to receive the funds under the program. For one (Disaster Number 1889) of six project worksheets selected for testwork, we noted the equipment rate per FEMA for code 8393 was \$47 per hour and the rate used on the MMS report was \$85 per hour. Total equipment charged on this one project worksheet was \$632,308 (\$64,472 for equipment code 8393) of which the Department was reimbursed seventy-five percent of those amounts. The Department received excess funds for equipment code 8393 of \$21,617, which are considered questioned costs.

Cause

The Department of Transportation did not code the correct rates from the Schedule of Equipment Rates published by FEMA in MMS.

Effect

The Department of Transportation reported the incorrect equipment rate on the project worksheet and was reimbursed for the incorrect equipment rate.

Recommendation

We recommend that the Department implement procedures to correctly code the correct rates in a Schedule of Equipment Rates published by FEMA in MMS.

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Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

\$21,617

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1873DRNJP00000001 (2/5/10 – 12/31/12), 1889DRNJP00000001 (3/23/10–12/31/13), 1897DRNJP00000001 (4/2/10 – 12/31/12), 1867DRNJP00000001 (12/22/09 – 12/31/12)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-16 Matching, Suspension and Debarment, and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Matching

Costs must be on a shared basis, as specified in the FEMA-State Agreement. In general, the minimum Federal share is 75 percent of eligible costs (44 CFR section 206.65). The non-Federal share that is split between the State and each subgrantee may vary. The accountability for meeting the matching requirement resides with the State and is determined at the time of project accounting as part of project closeout (i.e., the non-Federal share does not have to be met until the end of the project).

However, matching requirements for alternate projects vary from this general rule and fall into one of two categories:

- (1) *Public facilities.* Eligible costs for public facilities are 90 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.
- (2) *Private non-profit (PNP) facilities.* Eligible costs for PNP facilities are 75 percent of the approved Federal estimate of eligible repair/replacement costs of the damaged facility or the actual fixed cost of completing the alternate project(s), whichever is less. The appropriate Federal share will then be applied to the lesser amount.

Suspension and Debarment

Governmentwide requirements for nonprocurement suspension and debarment are contained in the OMB guidance in 2 CFR part 180, which implements Executive Orders 12549 and 12689, Debarment and Suspension. The OMB guidance, which superseded the suspension and debarment common rule published November 26, 2003, is substantially the same as that rule.

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

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When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Subrecipient Monitoring

A pass-through entity is responsible for:

- Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, —Eligibility for Subrecipients, for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- Central Contractor Registration (CCR) – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award.
- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).
- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.

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- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

For all sixty-five subrecipients selected for testwork, we noted the Department did not have procedures in place to communicate the CFDA title and number or the applicable compliance requirements. The payments to the sixty five subrecipients included in the sample were \$9,416,801.

Additionally, fifty-eight out of the sixty-five subrecipients tested, the awards were made on or after October 1, 2010 and were therefore subject to the requirement to request a DUNS number as part of the application or before the actual award. The Department has a form that it provides to the subrecipients, however for forty-six out of the fifty-eight subrecipients included in our testwork, the form was not collected by the Department. The amount awarded to these forty-six subrecipients was for \$7,748,080 out of \$8,754,343.

For State fiscal year 2012, the Department provided \$61,477,335 in pass-through payments to subrecipients.

The State of New Jersey holds subrecipients responsible for the matching requirement, however for the sixty-five subrecipients tested, the Department was unable to provide supporting documentation that the match had been met or that this requirement was monitored.

Additionally, the Department does not have any procedures in place to obtain suspension and debarment certifications from its subrecipients. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System maintained by General Services Administration (GSA), and therefore were not suspended or debarred.

A similar finding was included in the 2011 prior year single audit report as item 11-35.

Cause

The Department does not have procedures in place to communicate certain Federal awarding information (CFDA title and number) or the applicable compliance requirements as required by Federal regulations and did not monitor the subrecipients for compliance with all Federal regulations.

Effect

Inadequate communication of Federal requirements could result in noncompliance with Federal regulations at the subrecipient level.

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Recommendation

We recommend that the Department implement procedures to ensure that all Federal award information (e.g. CFDA title and number) and compliance requirements are communicated to subrecipients as required by Federal regulations. Additionally, we recommend that the Department properly monitor its subrecipients compliance with all Federal regulations and institute procedures to ensure the subrecipients are not suspended or debarred.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1873DRNJP00000001 (2/5/10-12/31/12), 1889DRNJP00000001 (3/23/10–12/31/13), 1897DRNJP00000001 (4/2/10 – 12/31/12), 1867DRNJP00000001 (12/22/09 – 12/31/12)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-17 Cash Management

Finding Type: Qualified, Material Weakness

Criteria

Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B). In accordance with Subpart B of 31 CFR part 205.33, (a) a State must minimize the time between the drawdown of Federal funds from the Federal government and their disbursement for Federal program purposes. A Federal Program Agency must limit a funds transfer to a State to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3). (b) Neither a State nor the Federal government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

Condition

The Department is not drawing down funds as close as is administratively feasible to its actual cash outlay. For sixty-five payments selected for testwork, the amount of time that had elapsed between the drawdown of the funds and the actual payment to the applicant was between 1 and 461 days. For two out of sixty-five payments selected, the payments to the applicants occurred between 299 and 461 days after the drawdown. The total amount included in our sample was \$16,882,612 and the two payments totaled \$466,684.

For one out of the sixty-five payments, the amount drawn down was less than the amount paid. This was because there were funds left over from earlier drawdowns. The drawdowns in total amounted to \$109,990 and the payments in our sample totaled \$153,891 of which \$43,901 was made with funds from a prior drawdown.

Additionally, for seven of sixty-five subrecipients selected for testwork, the Department did not provide documentation to support that the expenses were paid for by the entity prior to requesting reimbursement. The total amount of payments included in our sample was \$16,882,611, of which \$1,564,530 did not have support that the expenditure was actually paid.

A similar finding was included in the 2011 prior year single audit report as item 11-36.

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Cause

The Department does not minimize the time period between the drawdown request and the disbursement of funds and requested drawdowns from the Federal Government before all documentation was received from the applicants.

Effect

Amounts drawn down from the Federal Government were not performed in accordance with 31 CFR part 205, Subpart B.

Recommendation

We recommend that the Department ensure all required documentation is received from the applicants prior to requesting a drawdown from the Federal Government. Additionally, we recommend the Department implement procedures to ensure the time period between the drawdown and disbursement of funds is minimized in accordance with Federal requirements.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1897DRNJP00000001 (4/2/10 – 12/31/12), 1867DRNJP00000001 (12/22/09 – 12/31/12)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-18 Period of Availability

Finding Type: Qualified, Material Weakness

Criteria

Program Specific – 44 CFR Sec. 206.204

Time limitations for completion of work:

- (1) Deadlines. The project completion deadlines shown below are set from the date that a major disaster or emergency is declared and apply to all projects approved under State disaster assistance grants.

Completion Deadlines

Type of work	Months
Debris clearance	6
Emergency work	6
Permanent work	18

- (2) Exceptions
 - (i) The Grantee may impose lesser deadlines for the completion of work under paragraph (c)(1) of this section if considered appropriate.
 - (ii) Based on extenuating circumstances or unusual project requirements beyond the control of the subgrantee, the Grantee may extend the deadlines under paragraph (c)(1) of this section for an additional 6 months for debris clearance and emergency work and an additional 30 months, on a project by project basis for permanent work.

Requests for time extensions

Requests for time extensions beyond the Grantee’s authority shall be submitted by the Grantee to the Regional Administrator and shall include the following:

- (1) The dates and provisions of all previous time extensions on the project; and
- (2) A detailed justification for the delay and a projected completion date.

The Regional Administrator shall review the request and make a determination. The Grantee shall be notified of the Regional Administrator’s determination in writing. If the Regional Administrator approves the request, the

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letter shall reflect the approved completion date and any other requirements the Regional Administrator may determine necessary to ensure that the new completion date is met. If the Regional Administrator denies the time extension request, the grantee may, upon completion of the project, be reimbursed for eligible project costs incurred only up to the latest approved completion date. If the project is not completed, no Federal funding will be provided for that project.

Condition

Payments for small projects are made upon approval of the Project Worksheet; however, before the close out of the project, the Grantee is required to certify that a project was completed in accordance with FEMA approvals and that the payment was made to the subgrantee. Payments for large projects are made based on reimbursement of eligible costs. The State is required to certify that reported costs were incurred, that the approved work was completed, that the project was in compliance with the FEMA-State Agreement, and that payments were made in accordance with 44 CFR 13.21.

For eight of sixty-five projects selected for testwork, the date of completion had passed; however, the project had not been officially closed as of the date of our audit procedures. Of these eight projects, the limitation on the date of completion for two projects was October 2, 2010 and for the remaining six the deadline was June 22, 2011. All remained open as of June 30, 2012.

For three of sixty-five projects selected for testwork, the projects were completed, but were completed outside the date of completion set by 44 CFR Sec. 206.204.

A similar finding was included in the 2011 prior year single audit report as item 11-37.

Cause

The Department does not have procedures in place to ensure that projects are liquidated and closed out within the required timeframe.

Effect

The Department is not in compliance with the completion deadlines as required in 44 CFR Section 206.204 and uncompleted projects may require a refund to the Federal Government.

Recommendation

We recommend that the Department implement procedures to ensure all projects are closed out within the required timeframe.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

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View of Responsible Official

See management's corrective action plan.

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Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1873DRNJP00000001 (2/5/10 – 12/31/12), 1889DRNJP00000001 (3/23/10–12/31/13), 1897DRNJP00000001 (4/2/10 – 12/31/12), 1867DRNJP00000001 (12/22/09 – 12/31/12), 1954DRNJP00000001 (2/22/11 – 12/31/13)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-19 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds.

For contracts, implementation was phased in for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$20,000,000 or more.
- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$550,000 or more.

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- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Condition

Subrecipients have an obligation to provide all information required under the Federal Financial Accountability and Transparency Act; this includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department provides a Federal Financial Accountability and Transparency Act Information Form (Information Form) to all subrecipients; however, the Department did not collect the Information Form from any of their subrecipients nor did they report through FSRS. Forty-eight out of the sixty-five subrecipient selections were required to submit FFATA form, however thirty-seven did not submit the forms back to the Department.

A similar finding was included in the 2011 prior year single audit report as item 11-38.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of the Federal Financial Accountability and Transparency Act.

Effect

The State of New Jersey is not in compliance with the reporting requirements of the Federal Financial Accountability and Transparency Act.

Recommendation

We recommend that the Department implement procedures to obtain and review the information form from the subrecipients and to properly report subaward data required in accordance with the Federal Financial Accountability and Transparency Act.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

1873DRNJP00000001 (2/5/10 – 12/31/12), 1889DRNJP00000001 (3/23/10–12/31/13), 1897DRNJP00000001 (4/2/10 – 12/31/12), 1867DRNJP00000001 (12/22/09 – 12/31/12), 1954DRNJP00000001 (2/22/11 – 12/31/13)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-20 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental sub recipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), NJ Department of Treasury generates the Schedule of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFSS). The Department of Law and Public Safety (LPS), Division of State Police (the Division) prepares the Federal Financial Reports (FFRs) for the Public Assistance Grants from NJCFSS and is responsible for reconciling the amount reported on the FFRs to the amount reported on the SEFA. Our testwork noted the Department transferred funds to five other State Departments and communicated the source of the funds as Federal. However, the SEFA did not properly include expenditures transferred to three of the five other State Departments in the amount of \$688,975, which has subsequently been adjusted. The Department is not communicating to OMB the adjustment to report these transfers in the expenditures of the Public Assistance program on the SEFA. The amounts transferred, however, were appropriately reported on the FFRs by the Division that were filed with the Federal government.

A similar finding was included in the 2011 prior year single audit report as item 11-40.

Cause

LPS does not properly communicate the program expenditures to OMB upon the annual SEFA expenditure confirmation process.

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Effect

Expenditures of Federal awards by other State Departments are not properly reported on the SEFA.

Recommendation

We recommend that the Department implement procedures to notify OMB of any adjustments that need to be made to the SEFA as a result of the reconciliation of the expenditures reported on the FFRs to the State's underlying financial records maintained on the State's central accounting system.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW2011SS00120, 2010-SS-T0-0068, 2009-SS-T9-0082, 2008-GE-T8-0015, 2007-GE-T7-0056, 2006-GE-T6-0045

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-21 Equipment

Finding Type: Qualified, Material Weakness

Criteria

Equipment

A State shall use, manage, and dispose of equipment acquired under a Federal grant in accordance with State laws and procedures. Subrecipients of States who are local governments or Indian tribes shall use State laws and procedures for equipment acquired under a subgrant from a State.

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Condition

Seven (OHSP) out of sixty-five pieces of equipment selected for testwork were purchased for local governmental units and were no longer in the State of New Jersey's possession. None of the seven transactions had receipts signed by the receiving entity that they received and/or took ownership of the equipment. These transactions totaled \$69,750 and should have been included in the amount passed through to subrecipients on the Schedule of Expenditures of Federal Awards (SEFA). The total equipment purchased by OHSP and subsequently passed through to subgrantees during fiscal year 2012 was \$1,379,178.

Fourteen (eight OHSP and six DSP) of sixty-five pieces of equipment selected for testwork, the equipment was not tracked by the respective Division and could not be located. Costs charged to the program for these transactions were \$54,030 and have been included below as questioned costs. Total equipment costs for State fiscal year 2012 were \$13,801,435 of which \$759,501 was included in our sample.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Cause

OHSP does not have procedures in place to identify equipment purchased for local government units and subsequently included these expenditures as passed through to subrecipients. Additionally, the Divisions do not have adequate controls in place to ensure equipment is appropriately added and tracked in the fixed asset system.

Effect

Equipment purchased with Federal Funds passed through to local government units is not identifiable. The amount related to the equipment purchases passed through to subrecipients is not properly reflected on the SEFA in the passed through to subrecipients column. Equipment purchased with Federal Funds is not readily identifiable by item or location.

Recommendation

We recommend that the Department implement procedures to ensure documentation is maintained to support the transfer of equipment to subrecipients and tracking procedures be implemented to identify equipment transferred to subrecipients be properly reflected as passed through to subrecipients on the (SEFA). We recommend that the Department implement tracking procedures to identify equipment and ensure equipment is appropriately safeguarded.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

\$54,030

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW2011SS00120, 2010-SS-T0-0068, 2009-SS-T9-0082, 2008-GE-T8-0015, 2007-GE-T7-0056, 2006-GE-T6-0045

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-22 Suspension and Debarment

Finding Type: Noncompliance, Significant Deficiency

Criteria

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Condition

For one out of thirty-one subrecipient transactions selected for testwork, there was no suspension and debarment certification included in the files. Based on our audit procedures, the subrecipient was not listed on the Excluded Parties List System maintained by General Services Administration (GSA), and therefore were not suspended or debarred. The payment to the one subrecipient included in our sample was \$490,000 and the total amount in our sample was \$3,630,503. The total amount passed through to subrecipients for State fiscal year 2012 was \$44,033,206.

Cause

The Department did not monitor all subrecipients for compliance with the suspension and debarment regulation.

Effect

Federal funds could be granted to subrecipients that have been suspended or debarred.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the Department monitor all subrecipients to ensure they are not suspended or debarred as required by Federal regulations.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW2011SS00120, 2010-SS-T0-0068, 2009-SS-T9-0082, 2008-GE-T8-0015, 2007-GE-T7-0056, 2006-GE-T6-0045

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-23 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). These other forms may include financial, performance, and special reporting. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis. The awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

State, and governmental sub recipients of States, shall maintain all accounting records utilized to prepare financial reports. Amounts included in financial reports should be correctly reported and should be accurately reflected.

Condition

The Office of Management and Budget (OMB), NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system, New Jersey Comprehensive Financial System (NJCFSS). The Office of Homeland Security and Preparedness (OHSP) enters transactions into NJCFSS by Catalog of Federal Domestic Assistance (CFDA) number as recorded on the grant agreement.

OHSP recorded transactions for the Urban Areas Security Initiative (UASI), the Law Enforcement Terrorism Prevention Program (LETPP), the Metropolitan Medical Response System (MMRS) and the Citizen Corps Program (CCP) under the old CFDA numbers 97.008, 97.071, 97.013, and 97.053, respectively. According to the Federal CFDA catalog the State Homeland Security Program (SHSP), UASI, LETPP, MMRS, CCP were all integrated into the Homeland Security Grant Program (HSGP) CFDA 97.067. The amounts reported for these four awards in NJCFSS during the State fiscal year 2012 were \$48,341,273, \$187,506, \$15,423,217, and \$368,643, respectively and has been adjusted on the SEFA by OMB.

Cause

OHSP does not record transactions into NJCFSS under the appropriate CFDA number.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Effect

The expenditures reported on the SEFA for CFDA number 97.067 were incorrect.

Recommendation

We recommend that the Department implement procedures to ensure that the expenditures are coded to the proper CFDA number.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

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Year ended June 30, 2012

Homeland Security Grant Program (97.067)

Grant Award Number and Year:

EMW2011SS00120

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-24 Reporting, Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds.

For contracts, implementation was phased in for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$20,000,000 or more.
- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$550,000 or more.
- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

STATE OF NEW JERSEY

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Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Subrecipient Monitoring

A pass-through entity is responsible for:

- Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, —Eligibility for Subrecipients, for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- Central Contractor Registration (CCR) – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award.
- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).
- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The Office of Homeland Security and Preparedness (OHSP) is responsible for the administration of the Homeland Security Grant in the State of New Jersey (the State). The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive

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compensation data, if applicable. The Department did not address this requirement in State fiscal year 2012 for applicable subawards subject to FFATA.

For all thirty-one sampled subawards, we noted OHSP did not obtain from the subgrantee at the time of the award and disbursement the DUNS number as required by the subrecipient monitoring compliance requirement stated above. The expenditures for State fiscal year 2012 for the thirty-one subawards totaled \$3,630,503 and the OHSP passed through \$43,954,679 to subgrantees.

Cause

OHSP does not have procedures in place to ensure they meet the reporting requirements of FFATA or to request the DUNS number from the subgrantees.

Effect

OHSP did not report the required subaward data under FFATA, nor did they request the proper information from the subgrantees to report properly.

Recommendation

We recommend that the Department implement procedures to properly request information from the subgrantees and to report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Homeland Security Grant Program (97.067)

Grant Award Number and Year:

EMW2011SS00120

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 12-25 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subgrant Awards

Under the fiscal year 2008 through fiscal year 2011 awards for the State Homeland Security Program (SHSP) and Urban Areas Security Initiative (UASI) programs and, in addition, for fiscal years 2010 and 2011, Operation Stonegarden (OPSG), States must obligate funds for subgrants within 45 days after the date of the grant award (6 USC 605(c)(1)). “Obligate” has the same meaning as in Federal appropriations law, i.e., there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and, if applicable, accepted by the grantee.

Condition

The Office of Homeland Security and Preparedness (OHSP) issues award letters to the subgrantees to commit the funds and communicate the award terms. For the five subgrantees selected for testwork, we noted the Department did not obligate the funds in accordance with 6 USC 605(c)(1). OHSP was awarded the funds from the U.S. Department of Homeland Security on September 1, 2011. For five of five subgrant awards selected for testwork the letters obligating the funds were dated October 28, 2011, which is 57 days after the grant award date.

The total amount of the subgrant awards to the five subgrantees in the sample was \$2,098,277. OHSP was awarded \$49,999,650 in Homeland Security Funds of which \$42,246,289 was obligated as subgrants on October 28, 2011.

Cause

The Department did not obligate subgrant awards within 45 days of the grant award date.

Effect

Subgrantees are not notified of grant awards in accordance with Federal regulations.

Recommendation

We recommend that the Department strengthen its procedures to ensure that all subgrant awards are obligated within 45 days of the grant award date in accordance with Federal regulations.

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Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

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Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

11111NJ704W1006 2011IW100641 (10/1/10 – 9/30/11), 12121NJ704W1006 2012IW100641 (10/1/11 – 9/30/12), 2010IW500341 (10/1/09 – 9/30/10), 6X07HA00017-20 (4/1/10 – 3/31/11), 6X07HA00017-21 (4/1/11 – 3/31/12), 2X07HA00017-22 (4/1/12 – 3/31/13), 1X09HA20263-01 (8/1/10 – 7/31/11)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 12-26 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds.

For contracts, implementation was phased in for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$20,000,000 or more.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

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- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$550,000 or more.
- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Condition

The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2012.

A similar finding was included in the 2011 prior year single audit report as item 11-45.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of the Federal Financial Accountability and Transparency Act.

Effect

The Department is not in compliance with the reporting requirements of the Federal Financial Accountability and Transparency Act as it did not report the required subaward data.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under the Federal Financial Accountability and Transparency Act.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Immunization Cluster (93.268)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

11111NJ704W1006 2011IW100641 (10/1/10 – 9/30/11), 12121NJ704W1006 2012IW100641 (10/1/11 – 9/30/12), 2010IW500341 (10/1/09 – 9/30/10), 5H23IP222576-09 (1/1/11 – 12/31/11), 5H23IP222576-10 (1/1/12 – 12/31/12), 6X07HA00017-20 (4/1/10 – 3/31/11), 6X07HA00017-21 (4/1/11 – 3/31/12), 2X07HA00017-22 (4/1/12 – 3/31/13), 1X09HA20263-01 (8/1/10 – 7/31/11)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 12-27 Cash Management

Finding Type: Significant Deficiency

Criteria

When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government. When funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

When advance payment procedures are used, recipients must establish similar procedures for subrecipients. Pass-through entities must establish reasonable procedures to ensure receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable the pass-through entities to submit complete and accurate cash transactions reports to the Federal awarding agency or pass-through entity. Pass-through entities must monitor cash drawdowns by their subrecipients to ensure that subrecipients conform substantially to the same standards of timing and amount as apply to the pass-through entity.

Condition

The Department of Health (the Department) draws down funds based on business objects reports that are generated from the State accounting system by an administrative analyst. This report is then given to one of the accountants to enter the drawdown request in the PMS system. Once the PMS system approves the request and the money is forwarded to Wachovia, a Cash Receipt form is created, and along with all supporting documentation, is given back to same administrative analyst who prepared the original backup for the drawdown or the Director of Financial Services for approval. The approval consists of reviewing the cash receipt form and matching the amount drawn with the amounts on the original report that the Administrative Analyst had provided to the accountants. For the instances we reviewed during the audit, it was noted that the approver was the administrative analyst and not the Director of Financial Services. Since the Administrative Analyst is the person who prepares the information for the drawdown, and this employee is the approver and the person who posts the cash receipt to the State accounting system, the control is not designed properly to ensure there is adequate segregation of duties between preparation, data entry and approval.

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Cause

The Department does not have proper segregation of duties for the cash management process as the same employee who reviews the cash receipt document also posts the receipt in the State accounting system.

Effect

The incorrect amount of Federal funds can be drawn down or the receipt may not be properly posted to the State accounting system.

Recommendation

We recommend that the Department ensure there is proper segregation of duties in place to ensure the appropriate amount of funds are drawn down and the receipts are properly posted to the State accounting system.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

6X07HA00017-20 (4/1/10 – 3/31/11), 6X07HA00017-21 (4/1/11 – 3/31/12), 2X07HA00017-22 (4/1/12 – 3/31/13), 1X09HA20263-01 (8/1/10 – 7/31/11)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-28 Reporting

Finding Type: Significant Deficiency

Criteria

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Condition

The Department submits quarterly SF-425 reports to report its Federal expenditures. During the year, the Department changed its process to prepare and certify the report. Our testwork noted that one of the three quarterly reports we selected for testwork was completed and certified by the same employee and there was no supervisory or secondary review performed. There is not an adequate segregation of duties over the completion and certification process over the Federal SF-425 report.

Cause

The Department does not have proper segregation of duties over the Federal reporting process.

Effect

The Department may inaccurately report Federal expenditures on the SF-425 report.

Recommendation

We recommend that the Department ensure there is proper segregation of duties in the reporting process.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

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Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

6X07HA00017-20 (4/1/10 – 3/31/11), 6X07HA00017-21 (4/1/11 – 3/31/12), 2X07HA00017-22 (4/1/12 – 3/31/13), 1X09HA20263-01 (8/1/10 – 7/31/11)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-29 Activities Allowed or Unallowed, Allowable Costs/Costs Principles, and Eligibility

Finding Type: Noncompliance, Significant Deficiency

Criteria

Activities Allowed or Unallowed

Funds may be used for core medical services and support services and administrative expenses (42 USC 300ff-22(a); 42 USC 300ff-28(b)(3)).

1. Core medical services with respect to an individual infected with HIV/AIDS (including co-occurring conditions, i.e., one or more adverse health conditions of an individual with HIV/AIDS, without regard to whether the individual has AIDS or whether the conditions arise from HIV) means (1) outpatient and ambulatory health services; (2) AIDS Drug Assistance Program treatments; (3) AIDS pharmaceutical assistance; (4) oral health care; (5) early intervention services meeting the requirements of 42 USC 300ff-22(d); (6) health insurance premium and cost sharing assistance for low-income individuals; (7) home health care; (8) medical nutrition therapy; (9) hospice services; (10) home and community-based health services; (11) mental health services; (12) substance abuse outpatient care; and (13) medical case management, including treatment adherence services (42 USC 300ff-22(b)(3)).
2. Support services means services that are needed for individuals with HIV/AIDS to achieve their medical outcomes (those outcomes affecting the HIV-related clinical status of an individual with HIV/AIDS) (for example, respite care for persons caring for individuals with HIV/AIDS, outreach services, medical transportation, linguistic services, referrals for health care and support services, and such other services specified by HRSA). Expenditures for or through consortia are considered support services ((42 USC 300ff-22(c); 42 USC 300ff-23(f)).
3. Administrative expenses at the grantee level include activities related to (1) routine grant administration and monitoring (for example, development of applications, receipt and disbursement of program funds, development and establishment of reimbursement and accounting systems, development of a clinical quality management program, preparation of routine programmatic and financial reports, and compliance with grant conditions and audit requirements); (2) contract development, solicitation review, award, monitoring, and reporting; and (3) activities carried out by the HIV health services planning council (42 USC 300ff-28(b)(3)(C)).
4. Subcontractor administrative expenses include usual and recognized overhead activities, management oversight of funded activities, and other types of program support such as quality assurance, quality control, and related activities (42 USC 300ff-28(b)(3)(D)).

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Allowable costs/Cost Principles

The individual State/local departments or agencies (also known as operating agencies) are responsible for the performance or administration of Federal awards. In order to receive cost reimbursement under Federal awards, the department or agency usually submits claims asserting that allowable and eligible costs (direct and indirect) have been incurred in accordance with A-87.

Eligibility for Individuals

To be eligible to receive assistance in the form of therapeutics, an individual must have a medical diagnosis of HIV/AIDS and be a low-income individual, as defined by the State (42 USC 300ff-26(b)).

Condition

Every year a participant needs to reapply to the Health Insurance Continuation Program (HICP) in order to determine the continuous eligibility, specifically to meet the criteria to be a low-income individual. For two out of sixty-five selections, the participants in the HICP program failed to renew their application and provide the necessary supporting documentation. The Department continued to provide them with benefits after the approval period had expired. As a result, the amount of benefits paid to these two participants was \$10,245. The total amount disbursed to HICP participants in the sample subjected to testwork was \$304,968 and the total amount disbursed to HICP participants during State fiscal year 2012 was \$4,511,668.

A similar finding was included in the 2011 prior year single audit report as item 11-41.

Cause

The Department did not properly collect all necessary information to determine the eligibility of these individuals.

Effect

Benefits may be provided to ineligible participants.

Recommendation

We recommend that the Department implement procedures to ensure all required documents are on file and obtained to support the eligibility determinations of the participants receiving benefits from the program.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

\$10,245

View of Responsible Official

See management's corrective action plan.

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HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

6X07HA00017-20 (4/1/10 – 3/31/11), 6X07HA00017-21 (4/1/11 – 3/31/12), 2X07HA00017-22 (4/1/12 – 3/31/13), 1X09HA20263-01 (8/1/10 – 7/31/11)

State Agency: Department of Health

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-30 Level of Effort and Earmarking

Finding Type: Noncompliance, Significant Deficiency

Criteria

Level of Effort – Maintenance of Effort (MOE)

The State will maintain HIV-related activities at a level that is equal to not less than the level of such expenditures by the State for the 1-year period preceding the fiscal year for which the State is applying for Title II/Part B funds (42 USC 300ff-27(b)(7)(E)).

Earmarking

For the purpose of providing health and support services to women, youth, infants, and children with HIV disease, including treatment measures to prevent the perinatal transmission of HIV, a State shall use for each of these populations not less than the percentage of Title II or Part B funds in a fiscal year constituted by the ratio of the population involved (women, youth, infants, or children) in the State with AIDS to the general population in the State of individuals with AIDS (42 USC 300ff-21(b)). This information is provided to the State by HRSA in the annual application guidance (Appendix II, Estimated Number/Percent of Women, Infants, and Children Living with AIDS in States and Territories).

Condition

Level of Effort – Maintenance of Effort

Per review of the MOE Report, it was noted that for State fiscal year 2012 the maintenance of effort was not achieved as the expenditures and obligations for State fiscal year 2012 were \$28,216,000 and the expenditures and obligations for State fiscal year 2011 were \$28,387,000. As such, in State fiscal year 2012 the Department failed to expend an amount equal to or higher than the amount expended in State fiscal year 2011.

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Earmarking

The Department did not meet the earmarking requirement as listed above. The testwork identified that for the above category, the total amount of fiscal year 2011 Part B funds used to provide services was \$43,437,510. At that time the women, infants, children and youth represented 33%, 0%, 0% and 3%, respectively, of the general population in the State with AIDS. As such the total percentage for all services as prescribed above is 36% of total funds used or \$15,637,504. The Department expended \$15,102,641 during State fiscal year 2011 which represented 34.8% or \$534,863 less than what should have been expended for these services.

Cause

According to the Department there was not a sufficient amount of funds available at the State to be spent for this program to meet the maintenance of effort requirement. Additionally, the Department did not properly monitor the allocation of funds between the various categories of expenditures to meet the earmarking requirement.

Effect

The Department did not meet the Federal requirements for level of effort and earmarking.

Recommendation

We recommend that the Department implement procedures to ensure that they are in compliance with the level of effort – maintenance of effort and earmarking requirements of the program.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

Various

State Agency: Department of Health

**Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services**

Finding: 12-31 Subrecipient Monitoring

Finding Type: Significant Deficiency

Criteria

A pass-through entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Tracking System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency's responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;
- Update the GSA system online.

The Department of Health (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients which include hospitals, nursing homes, and other healthcare-related entities.

During the State fiscal year 2012, seventy-one subrecipients were required to submit OMB Circular A-133 audit reports to the Department. We selected a sample of seven of the Department's subrecipient audit reports to ensure that desk reviews were being performed timely and management decisions on audit findings noted during

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the desk reviews were completed and accurately recorded in the GSA system. For one of the seven OMB Circular A-133 reports and desk reviews selected, the Department had inaccurate received and desk reviewed dates entered in the GSA system when the subrecipient's OMB Circular A-133 audit report was not actually received. The Department has been in communication with the subrecipient to obtain the OMB Circular A-133 audit report.

Cause

The Department did not properly update the GSA system.

Effect

Subrecipients may not be performing appropriate or timely corrective action on audit findings noted during the desk review process. Also, information regarding monitoring of subrecipients may not be properly updated in the GSA online system to allow other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients.

Recommendation

We recommend that the Department ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)

Title I, Part A Cluster (84.010, 84.389)

Special Education Cluster (IDEA) (84.027, 84.173, 84.391, 83.392)

Improving Teacher Quality State Grants (84.367)

Education Jobs Fund (84.410)

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

Various

State Agency: Department of Education

Federal Agency: U.S. Department of Agriculture

U.S. Department of Education

U.S. Department of Health and Human Services

Finding: 12-32 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Tracking System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency’s responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;

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- Update the GSA system online.

The Department of Education, Office of Fiscal Accountability and Compliance (the Office), is a cognizant agency responsible for the performance of the above duties of its subrecipients which include school districts, boards of education, various educational related institutions, and charter schools.

During the State fiscal year 2012, 415 subrecipients were required to submit OMB Circular A-133 audit reports. We selected a sample of thirty-nine to ensure that desk reviews were being performed timely and management decisions on audit findings noted during the desk reviews were completed and communicated to the subrecipients within 6 months after receipt of the subrecipient's audit report. We noted the Office is not timely performing the desk reviews as five of the thirty-nine were desk reviewed between 7 and 8 months after receipt of the subrecipient audit report. As such, the current process could not allow for the communication of management decisions on audit findings within the 6 month requirement.

Our testwork also noted for two of the thirty-nine desk reviews, the Office was not properly updating the GSA system after the performance of the desk review for findings noted in the subrecipient audit report. We also identified two reports during our testwork that were received and desk reviewed but the received and desk reviewed dates and findings were not entered into the GSA system.

A similar finding was included in the 2011, 2010, 2009, and 2008 prior year single audit reports as items 11-51, 10-27, 09-42, and 08-46, respectively.

Cause

The Office did not perform desk reviews and issue management decisions on findings noted in a timely manner and did not properly update the GSA online system after completing desk reviews of subrecipients' OMB Circular A-133 audit reports.

Effect

Subrecipients may not be performing appropriate or timely corrective action on audit findings noted during the desk review process. Also, information regarding monitoring of subrecipients may not be properly updated in the GSA online system to allow other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients.

Recommendation

We recommend that the Office ensure that the OMB Circular A-133 desk reviews are being performed and management decision on audit findings are communicated in a timely manner. We also recommend that the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports.

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Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

Disability Insurance/SSI Cluster (96.001)

Grant Award Number and Year:

DDDCOMB2011 (10/1/10-9/30/11)

State Agency: Department of Labor and Workforce Development

Federal Agency: Social Security Administration

Finding: 12-33 Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Period of Availability

Finding Type: Significant Deficiency

Criteria

Activities Allowed or Unallowed

Program Specific

DDSs make disability determinations based on the law and regulations and on written guidelines issued by SSA. Each State making disability determinations is entitled to receive from the Trust funds reimbursement for the cost of making those disability determinations for SSA. Activities shall be in accordance with the budget request approved by SSA. Purchased medical services, such as Medical Evidence of Record (MER) and Consultative Examinations (CE), must be in accordance with the DDS's fee schedule for purchased medical services. Activities allowed under the disability programs include personnel services, purchased medical services, indirect costs and other non-personnel costs (42 USC 421 (e) and (f); 20 CFR section 401.1626 and 416.1026).

Allowable Costs/Cost Principles

Program Specific

Direct Costs – The SSA Program Operations Manual System (POMS) contains guidance on direct costs for both the DI and SSI programs. Personnel services (POMS DI 39518) include personnel costs and employee benefits. Purchased medical services (POMS DI 39545) include MER and CE. Other non-personnel costs include travel (POMS DI 39524), space (POMS DI 39527), equipment (POMS DI 39530), and contracted services (POMS DI 39542).

General Criteria

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- j) Be adequately documented.

Period of Availability

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a

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subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, § ___.23; OMB Circular A-110 (2 CFR section 215.28)).

Condition

The Department of Labor and Workforce Development (the Department) is responsible for the administration of the Disability Insurance/SSI Cluster (DI/SSI) in the State of New Jersey. The Department is required to make payments to independent reviewing physicians for a Consultative Examination (CE). Payments made for the different types of CEs performed are based upon a fee schedule that is established by the Federal government and approved by the Social Security Administration.

For two of the forty non-payroll transactions selected for testwork, the Department was not able to provide documentation to support that the charges were properly reviewed and approved prior to disbursement. The total amount of expenditures related to these two transactions was \$1,214,881. The Department was able to provide documentation to support that the charges were allowable costs of the grant award. The total amount of non-payroll expenditures tested in our sample was \$2,699,365. The total non-payroll expenditures charged to the DI/SSI grant awards for State fiscal year 2012 was \$3,256,371.

Cause

The Department misplaced files and was unable to provide original documentation to support that the transactions were properly approved.

Effect

The Department could not support the proper approval of transactions charged to the Federal grant awards.

Recommendation

We recommend that the Department strengthen procedures relating to filing of supporting documentation to ensure that all documentation supporting review and approval of transactions is appropriately maintained.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Disability Insurance/SSI Cluster (96.001)

Grant Award Number and Year:

DDDCOMB2010 (10/1/09-9/30/10)

State Agency: Department of Labor and Workforce Development

Federal Agency: Social Security Administration

Finding: 12-34 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

SSA – 4513, *State Agency Report of Obligations for SSA Disability Programs* – This report is due quarterly for each fiscal year still open in order to account for program disbursements and unliquidated obligations (POMS DI 39506.202).

Condition

The Department of Labor and Workforce Development (the Department) is responsible for the administration of the Disability Insurance/SSI Cluster (DI/SSI) in the State of New Jersey. The Department is required to submit the SSA-4513 report on a quarterly basis. This report needs to be approved and certified prior to submission.

The Department failed to submit the SSA-4513 Report for the quarter ended June 30, 2012 for Grant Award Number DDDCOMB2010.

Cause

The Department did not perform adequate review procedures to ensure that the appropriate reports were submitted.

Effect

The required SSA-4513 report was not submitted to the Federal government for the quarter ended June 30, 2012.

Recommendation

We recommend that the Department strengthen review procedures to ensure that all appropriate reports are submitted to the Federal government within the required deadlines.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

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View of Responsible Official

See management's corrective action plan.

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Unemployment Insurance (17.225)

ARRA – Unemployment Insurance (17.225)

Grant Award Numbers and Years:

UI-21115-11-55-A-34 (10/1/10-9/30/11); UI-22328-12-55-A-34 (10/1/11-9/30/12)

State Agency: Department of Labor & Workforce Development
Office of Information Technology

Federal Agency: U.S. Department of Labor

Finding: 12-35 Other Requirements – Information Technology General Controls

Finding Type: Significant Deficiency

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Office of Information Technology (OIT) oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure, which includes the New Jersey Local Office On-line Payment System (NJLOOPS) databases and IBM mainframes. As part of OIT's oversight for NJLOOPS, OIT develops and maintains a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with NJLOOPS.

The Department of Labor and Workforce Development (the Department) is responsible for the administration of the Unemployment Insurance program in the State. The State utilizes NJLOOPS to determine eligibility of unemployment claims filed throughout the State, calculate the monetary entitlement of claimants to ensure consistency of payment amounts, automate the initial claims entry to track all claims by social security number, program code, and date of claim, track all determinations which affected any week of eligibility to ensure payments were made only when due, and track payments of unemployment insurance to eliminate duplicate payments.

We noted the following deficiencies in the design of IT general controls over NJLOOPS:

- I. *Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)*
 - Data Center Access is not limited only to individuals that require access to the SAC and OARS server room. OIT shares the SAC data center where critical NJLOOPS systems are held with other State Agencies. During the course of our testwork, there were 264 individuals that can access the SAC data center room where servers are housed. Additionally, during the course of our testwork, it

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was noted that 226 individuals have access to the OARS recovery site data center. It was noted that access to the data center server room is not restricted to only those that have assigned responsibilities for which they require access to the data center.

2. *Appropriateness of Access*

- Our review noted that end users who have been terminated still have active access capability. Specifically we noted, for three of thirteen sampled end user accounts, individuals continue to have active NJLOOPS accounts although their employment has been terminated.
- Periodic review of end user accounts for appropriateness is not performed for NJLOOPS. This review has not been performed in the past, therefore although controls related to granting, changing, and terminating access may be appropriate currently, there is a potential that older users of the system may continue to have access in NJLOOPS that they no longer require.
- Certain individuals that have access to the development environment also have access to make changes to the production environment in NJLOOPS. Therefore, there is no segregation of duties in this area. Additionally, there is no independent review of changes made in the production environment.
- It was noted that one Z/OS Systems programmer had administrative access on the Mainframe server hosting NJLOOPS. This user was both a developer on the mainframe and an administrator.

3. *Mainframe Changes*

- Formalized, documented procedures for steps required to be taken by OIT to make changes in the Mainframe environment are not in place. Documented approvals and evidence of testing for each change made to the IBM Mainframe production environment is not retained.

4. *Change Request Approvals and Testing*

- A formalized process for change management that includes a detailed description of requests, approvals, development method and testing is not consistently followed. In addition, while reviewing a sample of program changes made in NJLOOPS, it was noted that formal approvals and evidence of testing were not documented for two out of eight selected samples.

5. *Disaster Recovery*

- A Disaster Recovery Plan over NJLOOPS is not in place, and has not been tested during the State fiscal year 2012.

6. *Data Backup procedures and failed backup resolution*

- A formalized and detailed documented process that outlines NJLOOPS backup procedures is not in place. In addition, backup failure/success logs are not available. Therefore, sampling of instances where failures have occurred could not be performed. It was also noted that incident tickets are not created when backup failure occurs, to note the incident and resolution steps.

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A similar finding was included in the 2011 prior year single audit report as item 11-1.

Cause

1. Access at the Data Center at SAC and OARS

- Formalized procedures for the review of individuals that have access to the Data Center to validate that they require access to the Server Room are not developed and a review is not conducted. Furthermore, it was noted that door segregating data center from the call center area does not close properly, allowing those with access to the call center to access the data center.

2. Appropriateness of Access

- Some end users accounts, were not removed/disabled from the system upon being terminated from employment. In addition, a user account review was not performed to validate appropriateness of access for end users.
- The system does not enforce segregation of duties, where individuals can only be given access to the development environment or the production environment in NJLOOPS. Individuals can get access at both levels that would enable them to modify and develop code in the development environment and then move that code to production without management review.

3. Mainframe Changes

- Formalized procedures for the development and documentation of approval and evidence of testing for mainframe patch changes are not in place.

4. Change Request Approvals and testing

- A formal documentation of approvals and evidence of testing is not consistently retained for program changes.

5. Disaster Recovery

- Formalized Disaster Recovery procedures are not in place and testing is not performed.

6. Data Backup procedures and failed backup resolution

- A detailed and formalized process outlining NJLOOPS backup procedures is not in place. Backup failure/success logs are not retained by the system, and tickets for failed incidents are not created to track historic failures and resolution steps.

Effect

1. Access at the Data Center at SAC and OARS

- There is a risk of inappropriate access to the servers that house critical data for the State to administer its Federal programs.

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2. *Appropriateness of Access*

- A lack of system controls and configuration, as well as inappropriate monitoring of access to data, could result in not having accountability, inaccurate data being stored and inappropriate use of information. Individuals that should not have access to the system may be able to access information that is not intended for them.

3. *Mainframe Changes*

- The lack of documentation and testing of Mainframe changes could lead to issues in the production environment for NJLOOPS due to incompatibility of changes that are introduced. There is a risk of changes being placed into production that could harm the production environment and/or its operation due to the lack of testing and approval.

4. *Change Request Approvals and Testing*

- In the absence of a formal and consistently followed change management process, there is a risk that an unauthorized and/or inconsistent change may be moved into production; therefore sufficient audit trail may not be available to resolve the errors timely.

5. *Disaster Recovery*

- The absence of periodic recovery tests may prevent recovery of the NJLOOPS application data in case of a disaster.

6. *Data Backup procedures and failed backup resolution*

- A lack of detailed procedures and processes related to backup management could lead to failed backups that are not logged, identified and resolved. This may prevent the recovery process in the event that it may be required.

Recommendation

1. *Access at the Data Center at SAC and OARS*

- We recommend that OIT perform the following with regard to access to the Data Center:
 - Provide access to only those individuals that are required and approved to enter the Data Center.
 - Perform reviews of users that can access the Data Center and Server Room on a periodic basis to determine that only appropriate individuals were allowed access to the Data Center and Server Room.
 - Have the door appropriately repaired and regularly have staff inspect and report problems with facility.

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2. *Appropriateness of Access*

- We recommend that access reviews be performed periodically to validate that the individuals that maintain access to the system are appropriately maintained based on their current role within the Department/State. In addition, user accounts should be timely disabled or deleted on termination or transfer out the Department/State.
- We recommend that there be segregation of duties in accounts where the same individuals do not have access to make changes both in the development environment and the production environment.

3. *Mainframe Changes*

- We recommend OIT formalize procedures for the proper documentation of approval and evidence of testing for mainframe changes is retained.

4. *Change Request Approvals and testing*

- We recommend OIT formalize change management policy and procedures. A consistent process should be followed to document approval and testing of programs and the documentation should be retained.

5. *Disaster Recovery*

- We recommend that formalized Disaster Recovery procedures be defined, and testing be performed periodically to assess the process, tools, and people involved with this process.

6. *Data Backup procedures and failed backup resolution*

- We recommend the State formalize backup procedures for NJLOOPS including policy and procedures for the organized retention of backup success/failure logs and resolution details.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Cost

None

View of Responsible Official

See management's corrective action plan.

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Vocational Rehabilitation Cluster (84.126, 84.390)

Grant Award Numbers and Years:

**H126A100043 (10/1/09-9/30/11); H126A110043 (10/1/10-9/30/12); H126A120043 (10/1/11-9/30/13);
H390A090043 (2/1/09-9/30/11)**

State Agency: Department of Labor and Workforce Development

Federal Agency: U.S. Department of Education

Finding: 12-36 Eligibility

Finding Type: Noncompliance, Significant Deficiency

Criteria

An individual is eligible for VR services if the individual (a) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (b) can benefit in terms of an employment outcome from VR services; and (c) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

The State VR Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of the Act (29 USC 722(a)(6)):

- a. Exceptional and unforeseen circumstances beyond the control of the State VR agency preclude making an eligibility determination within 60 days and the State agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

Condition

The Department of Labor and Workforce Development (the Department) is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Cluster and determines the eligibility of individuals at local field offices. As part of the eligibility determination the agency conducts a financial needs assessment of each individual prior to or at the Individualized Plan for Employment (IPE) conference.

For two of the forty participants selected for testwork, we noted that the Department did not make the eligibility determinations within the required 60 day timeframe. The determinations were made 141 days and 119 days after receipt of the individual's application, respectively. In both cases, the Department was also unable to provide support of any exceptional or unforeseen circumstances beyond their control that would allow for an approved extension of time beyond the 60 days. The total amount of expenditures paid for these two individuals was \$1,020 during the fiscal year ended June 30, 2012. These expenditures were paid subsequent to the dates of the respective eligibility determinations. The total amount of expenditures paid on behalf of participants for State fiscal year 2012 was \$19,019,939.

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Cause

The Department's policies and procedures were not sufficient to ensure that the VR counselors made the required determinations of eligibility within the 60 day timeframe.

Effect

Individuals will not receive the needed support under the Vocational Rehabilitation program due to the delay in the determination of eligibility.

Recommendation

We recommend that the Department strengthen review and approval procedures to ensure that the eligibility determinations are completed within the required 60 day period after receipt of application.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Weatherization Assistance For Low-Income Persons (81.042)

ARRA – Weatherization Assistance For Low-Income Persons (81.042)

Grant Award Numbers and Years:

EE0000194 (4/01/2009-3/31/12) and EE0000178 (4/1/2009 – 12/31/12)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Energy

Finding: 12-37 Reporting

Finding Type: Noncompliance, Significant deficiency

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Condition

The Department of Community Affairs (the Department) submits quarterly SF-425 reports for both the regular Weatherization and the ARRA Weatherization programs. Our sample of four Federal financial (SF-425) reports noted the reports were submitted with incorrect amounts for cash disbursements for ARRA Weatherization for the quarters ended March 31, 2012 and June 30, 2012 and the regular Weatherization program for the quarters ended December 31, 2011 and March 31, 2012. The Department also submitted the SF-425 report with incorrect amounts for the Federal share of unliquidated obligations for the regular Weatherization program for the quarter ended March 31, 2012 and the ARRA Weatherization program for the quarters ended March 31, 2012 and June 30, 2012.

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Following is a summary of the amounts reported on the quarterly reports and the actual amounts resulting in under and overstatements of the cash disbursements and unliquidated obligations.

Cash disbursements:

Federal grant number	Report period	Cash disbursements reported	Actual cash disbursements	Difference (under) overstated
EE0000178 (ARRA)	06/30/12	\$ 94,890,547	105,023,087	(10,132,540)
EE0000178 (ARRA)	03/31/12	80,634,989	105,023,087	(24,388,098)
EE0000194	12/31/11	11,412,101	(243,591)	11,655,692
EE0000194	03/31/12	11,455,101	11,650,253	(195,152)
				<u>\$ (23,060,098)</u>

Federal share of unliquidated obligations:

Federal grant number	Report period	Unliquidated obligations reported	Actual unliquidated obligations	Difference (under) overstated
EE0000178 (ARRA)	06/30/12	\$ 26,779,961	30,334,294	(3,554,333)
EE0000178 (ARRA)	03/31/12	44,556,457	44,654,095	(97,638)
EE0000194	03/31/12	7,524,556	7,466,795	57,761
				<u>\$ (3,594,210)</u>

Cause

The Department did not perform an adequate review of the reports to ensure that the correct amounts for the cash disbursements and the Federal share of unliquidated obligations were included.

Effect

The cash disbursements amounts and the Federal share of unliquidated obligations were reported incorrectly.

Recommendation

We recommend that the Department strengthen the review procedures to ensure that accurate data is reported on the SF-425 reports for each quarterly submission.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

There are no questioned costs as the amounts were understated on the quarterly reports.

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View of Responsible Official

See management's corrective action plan.

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Capitalization Grants for Clean Water State Revolving Funds (66.458)

ARRA – Capitalization Grants for Clean Water State Revolving Funds (66.458)

Weatherization Assistance for Low-Income Persons (81.042)

ARRA – Weatherization Assistance for Low-Income Persons (81.042)

Low-Income Home Energy Assistance (93.568)

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Grant Award Numbers and Years:

Various

State Agency: Department of Community Affairs

Federal Agency: U.S. Environmental Protection Agency

U.S. Department of Energy

U.S. Department of Health and Human Services

U.S. Department of Homeland Security

Finding: 12-38 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

A pass-through entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Tracking System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency’s responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;

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- Update the GSA system online.

The Department of Community Affairs (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients which include non-profit and community organizations.

The Department of Community Affairs, Division of Local Government Services, Bureau of Financial Regulation (the Division), is a cognizant agency responsible for the performance of the above duties of its subrecipients which include all local government entities.

During the State fiscal year 2012, eighty-six (thirty-two Department and fifty-four Division) subrecipients were required to submit OMB Circular A-133 audit reports to the Department. We selected a sample of eight of the Department's subrecipient audit reports, including five from the Division, to ensure that desk reviews were being performed timely and management decisions on audit findings noted during the desk reviews were completed and communicated to the subrecipients within 6 months after receipt of the subrecipient's audit report. We noted the Department and Division are not timely performing the desk reviews as three of the eight, including one from the Division, were desk reviewed 8 months after receipt of the subrecipient audit report. As such, the current process could not allow for the communication of management decisions on audit findings within the 6 month requirement.

Our testwork also identified four reports that were received by the Department but the received dates were not entered into the GSA system timely. The received dates were entered into GSA 5-7 months after receipt. Additionally, for one of the four reports, the report was beyond the 6 month deadline for desk review, but a desk review had not yet been performed.

A similar finding was included in the 2011 prior year single audit report as item 11-56 as it relates to the Division of Local Government Services.

Cause

The Department did not perform desk reviews and issue management decisions on findings noted in a timely manner and did not properly update the GSA online system after receiving the reports and completing desk reviews of subrecipients' OMB Circular A-133 audit reports.

Effect

Subrecipients may not be performing appropriate or timely corrective action on audit findings noted during the desk review process. Also, information regarding monitoring of subrecipients may not be properly updated in the GSA online system to allow other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients.

Recommendation

We recommend that the Department ensure that the OMB Circular A-133 desk reviews are being performed and management decision on audit findings are communicated in a timely manner. We also recommend that the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports.

Related Noncompliance

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Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Capitalization Grants for Drinking Water State Revolving Funds (66.468)

ARRA – Capitalization Grants for Drinking Water State Revolving Funds (66.468)

Grant Award Number and Year:

2F972319-09 (10/1/08 – 12/31/13) [ARRA]

State Agency: Department of Environmental Protection

Federal Agency: U.S. Environmental Protection Agency

Finding: 12-39 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- Determining Subrecipient Eligibility – In addition to any programmatic eligibility criteria under E, —Eligibility for Subrecipients, for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- Central Contractor Registration (CCR) – For ARRA subawards, identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a DUNS number, and maintaining the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c)). This requirement pertains to the ability to report pursuant to Section 1512 of ARRA and is not a pre-award eligibility requirement. Note that subrecipients of non-ARRA funds are not required to register in CCR prior to or after award.
- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC (see also N, Special Tests and Provisions in this Part).
- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management

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decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

- Ensuring Accountability of For-Profit Subrecipients – Awards also may be passed through to for-profit entities. For-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds.
- Pass-Through Entity Impact – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

Special Tests and Provisions

R3 – Subrecipient Monitoring

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition

For one of two ARRA subrecipients selected for testwork, the Department did not communicate the Federal award information (i.e. the related CFDA title and number, award name, name of Federal agency) to the subrecipient at the time of the award or at the time of the disbursement. The one ARRA subrecipient received total disbursements of \$38,423 for State fiscal year ended 2012.

The total amount disbursed to ARRA subrecipients during the State fiscal year was \$2,128,773.

A similar finding was included in the 2011 and 2010 prior year single audit reports as items 11-50 and 10-29, respectively.

Cause

The Department did not have procedures in place to ensure that all ARRA award documentation and disbursements contained the required information in accordance with the compliance requirements.

Effect

Failure to identify the Federal award information (CFDA title and number; award name and number) to the subrecipients could lead to noncompliance with the Federal compliance requirements applicable to the program and failure to include the Federal program in the subrecipient's OMB A-133 audit, if required.

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Recommendation

We recommend that the Department implement procedures to ensure all required Federal award information (e.g., CFDA title and number; award name and number; and name of Federal awarding agency) is identified to subrecipients at the time of the award and disbursement.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1105NJARRA (7/1/10 – 6/30/12) [ARRA]

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-40 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Provider Eligibility

In order to receive Medicaid payments, providers of medical services furnishing services must be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and section 1902(a)(9) of the Social Security Act) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B (sections 455.100 through 455.106)).

Condition

The Department of Human Services (the Department) has contracted with a service organization, Molina Healthcare, Inc (Molina), to provide overall management of the State of New Jersey's (the State) Medicaid Management Information System (MMIS). Molina's responsibilities include determining the eligibility of providers to ensure they are licensed in accordance with the laws and regulations to participate in the Medicaid program and that the providers make certain disclosures to the State. This process includes the provider signing a Provider Agreement that details the requirements related to the program.

For one of the forty providers selected for testwork, Molina could not provide a signed Provider Agreement.

Cause

Human error by Molina staff in reviewing the Provider Agreement allowed the provider's eligibility to be processed without the signed document.

Effect

The Department enrolled a provider without obtaining the signed Provider's Agreement.

Recommendation

We recommend that the Department strengthen procedures to ensure all documentation is properly obtained and signed by the provider, prior to processing eligibility.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

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Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Children’s Health Insurance Program (93.767)

Grant Award Numbers and Years:

1105NJ5021 (10/1/10 – 9/30/12), 1205NJ5021 (10/1/11 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-41: Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Eligibility

Finding Type: Qualified, Material Weakness

Criteria

Activities Allowed or Unallowed

Program Specific

1. *Activities Allowed* – States have general flexibility in allocating their individual allotments toward activities needed to conduct the CHIP (42 USC 1397ee(a)). In addition to expenditures for child health assistance under the plan for targeted low-income children, other allowable activities, to the extent permitted by 42 USC 1397ee(c), include payment of other child health assistance for targeted low-income children; expenditures for health services initiatives for improving the health of children (targeted and other low income) under the plan; expenditures for outreach activities; and other reasonable costs incurred by the State to administer the plan (42 USC 1397ee).
2. *Activities Unallowed* – Federal funds may not be expended under the State plan to pay for any abortion or to assist in the purchase, in whole or in part, of health coverage that includes coverage of abortion, except if necessary to save the life of the mother or if the pregnancy is the result of incest or rape (42 USC 1397ee(c)).

Allowable Costs/Cost Principles

General Criteria

To be allowable under Federal awards, costs must meet the following general criteria (A-87, Attachment A, paragraph C.1):

- a. Be adequately documented.

Eligibility for Individuals

Program Specific

- a. States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds within the guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with a lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children.

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State plans should be consulted for specific information concerning individual eligibility requirements (42 USC 1397bb(b)).

States have the option to extend eligibility to low-income targeted pregnant women. There is no income eligibility level for pregnant women in CHIP that is lower than the State's Medicaid level, and States must cover pregnant women up to 185 percent of the Federal poverty level before they can elect the option to include pregnant women in the CHIP State plan (Pub. L. No. 111-3, Section 111).

- b. Qualified aliens, as defined at 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for a separate child health program under title XXI (CHIP) for a period of five years, beginning on the date the alien became a qualified alien, unless the alien is exempt from this five year bar under the terms of 8 USC 1613. States must provide coverage under a separate child health program under title XXI to all other otherwise eligible qualified aliens who are not barred from coverage under 8 USC 1613 (42 CFR section 457.320(b)(6)).
- c. States may elect to provide medical assistance, notwithstanding section 401(a), 402(b), 403, and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, to children and pregnant women who are lawfully residing in the United States and who are otherwise eligible for such assistance. This optional coverage in CHIP is only applicable if the State has elected to apply this allowance with respect to such category of children or pregnant women under title XIX Pub. L. No. 111-3, Section 214).

Condition

The Department of Human Services, Division of Medical Assistance and Health Services (the Department), is the agency responsible for the administration of the Children's Health Insurance Program (CHIP) for the State of New Jersey. The Department has procured with Xerox Business Services, LLC (Xerox), a third-party service organization, to perform the majority of eligibility determinations and redeterminations for CHIP. Xerox collects and maintains supporting documentation for each eligibility determination and redetermination. The State pays the CHIP benefits on behalf of eligible beneficiaries to providers and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by Xerox.

The Department is responsible for monitoring Xerox to ensure they are determining and redetermining eligibility in accordance with the Federal and State regulations of CHIP. The Department's monitoring procedures over the eligibility determinations and redeterminations at Xerox relies on the Bureau of Quality Control (BQC) reviews and the State Monitoring Unit; however, our testwork noted that currently the Department does not perform a review of redeterminations to ensure they are being performed on a twelve month cycle for each eligible beneficiary.

For a sample of sixty-five CHIP beneficiaries selected for testwork at Xerox, the following was noted:

- For four beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility in the case file at Xerox. Total CHIP benefits paid on behalf of these individuals to providers during State fiscal year 2012 were \$5,055.

Total program expenditures for CHIP included on the Schedule of Expenditures of Federal Awards were \$614,981,529 for State fiscal year 2012.

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A similar finding was included in the 2011 and 2010 prior year single audit reports as items 11-3 and 10-2, respectively.

Cause

Xerox is not properly monitoring that redeterminations are completed after the receipt of a response for a Request for Information (RFI) is received due to the redetermination clock halting upon receipt of the information. No procedures exist to ensure upon receipt of the RFI response, the redetermination is completed. Further, the State does not have adequate procedures in place to monitor that redeterminations are being made every twelve months.

Effect

Payments under CHIP may be processed on behalf of ineligible beneficiaries for services received in a given year.

Recommendation

We recommend that the Department ensure that eligibility redeterminations performed at Xerox are properly performed after receipt of an RFI response. Further, we recommend that the Department strengthen their procedures as it relates to monitoring redetermination cycles to ensure they are being performed every twelve months.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

\$5,055

View of Responsible Official

See management's corrective action plan.

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TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

0902NJTANF (10/1/08 – 9/30/09), 1002NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/10 – 9/30/12)

State Agency: Department of Human Services
Department of Children and Families

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-42 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Suspension and Debarment

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Subrecipient Monitoring

A pass-through entity is responsible for:

- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.
- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.

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- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.
- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Family Development is the prime recipient of the TANF Cluster (TANF). Through the State Appropriations Act, funding is budgeted to the Department of Children and Families. The Department of Children and Families (the Department) enters into contracts with various subrecipients in order to administer TANF in the State of New Jersey (the State). During each contract period, it is the Department's policy to perform an on-site monitoring visit over any agency that received funding.

During our testwork over TANF, the following was noted:

- For all twenty contracts selected for testwork, the contract did not contain any suspension or debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. Based on the audit procedures performed, none of the subrecipients were listed on the EPLS maintained by GSA, therefore, were not suspended or debarred.
- For all twenty contracts selected for testwork, the contract did not contain any communication of the required Federal award information and applicable compliance requirements. Total funds passed through to these subrecipients during State fiscal year 2012 were \$2,199,187.
- For ten of the twenty contracts selected for testwork, the Department did not perform a monitoring visit over the subrecipient during the contract period. Total funds passed through to these subrecipients during State fiscal year 2012 were \$1,257,175.

Total funds passed through to subrecipients during State fiscal year 2012 for the TANF Cluster were \$314,158,158.

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Cause

The award documentation included in the subrecipient contracts does not contain the required information necessary for the State to properly ensure that these subrecipients are in compliance with all Federal requirements for funding provided. The Department does not have procedures in place to ensure all contracts are monitored during the contract period.

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for. Further, the Department is not properly monitoring its subrecipients for all direct and material compliance requirements.

Recommendation

We recommend that the Department include all required information during the awarding process to subrecipients to ensure they are made aware of all necessary Federal award information and compliance requirements related to the programs they administer on behalf of the State. Further, we recommend that the Department strengthen its procedures over the monitoring reviews of subrecipients.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

0902NJTANF (10/1/08 – 9/30/09), 1002NJTANF (10/1/09 – 9/30/10), 1001NJTAN2 (10/1/09 – 9/30/11), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/10 – 9/30/12)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-43 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

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- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Condition

The Department of Human Services, Division of Family Development (the Department) is the agency responsible for administration of the TANF Cluster (TANF) in the State of New Jersey (the State). The Department has arranged with the County Welfare Agencies (CWAs) to perform the eligibility determinations and redeterminations for TANF. The CWAs collect and maintain supporting documentation for each eligibility determination and redetermination in a case file that is subject to review by the Department's Quality Control Unit as part of the Department's subrecipient monitoring procedures. The State pays the TANF benefits to eligible recipients and is ultimately responsible for the accuracy of the eligibility determinations and redeterminations made by the CWAs.

For a sample of sixty-five TANF beneficiaries selected for testwork at the CWAs, the following was noted:

- For two beneficiaries selected for testwork, there was no evidence of a prior year redetermination of eligibility in the case file. Total TANF benefits paid to these individuals during State fiscal year 2012 were \$8,608. We consider these payments to be questioned costs.
- For three beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility in the case file. Total TANF benefits paid to these individuals during State fiscal year 2012 were \$11,405. We consider these payments to be questioned costs.

Total program expenditures for the TANF Cluster included on the Schedule of Expenditures of Federal Awards were \$357,277,004.

A similar finding was included in the 2011 prior year single audit report as item 11-6.

Cause

Support for eligibility determinations and redeterminations were not in the files at the CWAs.

Effect

Payments under the TANF program may be processed on behalf of ineligible clients for services received in a given fiscal year.

Recommendation

We recommend that the Department strengthen its subrecipient monitoring procedures over the CWAs to ensure eligibility determinations and redeterminations are properly supported, performed and reviewed on a timely basis.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Questioned Costs

In total, questioned costs cannot be determined; for specific questioned costs, see Condition above.

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

TANF Cluster (93.558, 93.714)

CCDF Cluster (93.575, 93.596)

ARRA – Child Care and Development Block Grant (93.713)

Grant Award Numbers and Years:

0902NJTANF (10/1/08 – 9/30/09), 1002NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/10 – 9/30/12), 0901NJCCD7 (4/1/09 – 9/30/10) [ARRA], 1101NJCCDF (10/1/10 – 9/30/13), 1201NJCCDF (10/1/11 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-44 Suspension and Debarment, Subrecipient Monitoring and Special Tests and Provisions

Finding type: Qualified, Material Weakness

Criteria

Suspension and Debarment

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

Subrecipient Monitoring

A pass-through entity is responsible for:

- Award Identification – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. For ARRA subawards, identifying to the subrecipient the amount of ARRA funds provided by the subaward and advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC.

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Special Tests and Provisions

R3 – Subrecipient Monitoring

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition

The Department of Human Services, Division of Family Development (the Department) enters into contracts with Child Care Resource and Referral Agencies (CCR&Rs) and Center-Based Child Care Agencies (CBCs) in order to administer the CCDF and TANF Clusters in the State of New Jersey (the State).

During our testwork over both the CCDF and TANF Clusters, the following was noted:

- For all ten CBC contracts selected for testwork, the contract did not contain any suspension or debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them. Based on the audit procedures performed, none of the subrecipients were listed on the EPLS maintained by GSA, therefore, were not suspended or debarred.
- For all fifteen CCR&R and CBC contracts selected for testwork, the contract did not contain any communication of the required Federal award information and applicable compliance requirements. Total funds passed through to these subrecipients during State fiscal year 2012 for the CCDF and TANF Clusters (total contract value, of which a portion was State funded) was \$51,328,818.
- For all five CCR&R contracts selected for testwork that received CCDF Cluster funding under the American Recovery and Reinvestment Act of 2009 (ARRA), the contract and each disbursement did not contain the required communication advising the subrecipient of the requirement to identify ARRA funds in the Schedule of Expenditures of Federal Awards (SEFA) and the SF-SAC as well as providing the subrecipient with the Federal award number and the CFDA Number. Total funds passed through to these subrecipients during State fiscal year 2012 for the CCDF Cluster (total ARRA contract value) was \$255,480.

Total funds passed through to subrecipients during State fiscal year 2012 were as follows: CCDF Cluster (non-ARRA) – \$144,577,087; CCDF Cluster (ARRA) – \$1,283,399; and TANF Cluster (non-ARRA) – \$300,502,793.

A similar finding was included in the 2011 and 2010 prior year single audit reports as items 11-8 and 10-5, respectively.

Cause

The award documentation included in the CCR&R and CBC contracts, as well as each ARRA disbursement, does not contain the required information necessary for the State to properly ensure that these subrecipients are in compliance with all Federal requirements for both ARRA and non-ARRA funding provided.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for.

Recommendation

We recommend that the Department include all required information during the awarding process to CCR&Rs and CBCs to ensure they are made aware of all necessary Federal award information and compliance requirements related to the programs they administer on behalf of the State.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

CCDF Cluster (93.575, 93.596)

Grant Award Numbers and Years:

1101NJCCDF (10/1/10 – 9/30/13), 1201NJCCDF (10/1/11 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-45 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- During-the-Award Monitoring – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

During-the-Award Monitoring

Following are examples of factors that may affect the nature, timing, and extent of during-the-award monitoring:

- Program complexity – Programs with complex compliance requirements have a higher risk of non-compliance.
- Percentage passed through – The larger the percentage of program awards passed through the greater the need for subrecipient monitoring.
- Amount of awards – Larger dollar awards are of greater risk.
- Subrecipient risk – Subrecipients may be evaluated as higher risk or lower risk to determine the need for closer monitoring. Generally, new subrecipients would require closer monitoring. For existing subrecipients, based on results of during-the-award monitoring and subrecipient audits, a subrecipient may warrant closer monitoring (e.g., the subrecipient has (1) a history of non-compliance as either a recipient or subrecipient, (2) new personnel, or (3) new or substantially changed systems).

Monitoring activities normally occur throughout the year and may take various forms, such as:

- Reporting – Reviewing financial and performance reports submitted by the subrecipient.
- Site Visits – Performing site visits at the subrecipient to review financial and programmatic records and observe operations.

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- Regular Contact – Regular contacts with subrecipients and appropriate inquiries concerning program activities.

Special Tests and Provisions

Health and Safety Requirements

Lead Agencies must verify that child care providers (unless they meet an exception, e.g., family members who are caregivers or individuals who object to immunization on certain grounds) serving children who receive subsidies meet requirements pertaining to prevention and control of infectious diseases, building and physical premises safety, and basic health and safety training for providers (45 CFR section 98.41).

Condition

The Department of Human Services, Division of Family Development (the Division) conducts site visits over the Child Care Resource and Referral Agencies (CCR&Rs) that it provides funding under the CCDF Cluster to ensure compliance with the grant requirements. Due to the conversion to the E-Childcare system, CCR&Rs are responsible for all eligibility determinations as well as ensuring the Center-Based Child Care Agencies (CBCs) under their supervision are compliant with the Health and Safety requirements related to the program. Therefore, the State is required to review documentation that the CCR&Rs are properly monitoring this requirement of the CBCs to ensure compliance.

The following were noted during our testwork:

- For all five subrecipient monitoring files selected for testwork, the Division did not perform a review of the subrecipient's review and processing of the CBCs to ensure they were in compliance with the Health and Safety Standards requirement. The contracted amount provided to the five subrecipients totaled \$51,328,818 (total contract value, of which a portion was State funded).

Total payments to subrecipients during State fiscal year 2012 were \$144,577,087.

A similar finding was included in the 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 11-10, 10-7, 09-8, 08-4, and 07-7, respectively.

Cause

There was no formal process or procedures in place to monitor the CCR&Rs to ensure they were reviewing CBC's licenses and compliance with Health and Safety Standards.

Effect

The State of New Jersey may be awarding funding to agencies that are not fulfilling their obligations as subrecipients. Further, the State is not properly monitoring its subrecipients for all direct and material compliance requirements, including health and safety requirements.

Recommendation

We recommend that the Department strengthen its procedures over the monitoring reviews of subrecipients.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Child Support Enforcement (93.563)

ARRA – Child Support Enforcement (93.563)

Grant Award Numbers and Years:

1104NJ4002 (10/1/09 – 9/30/11) [ARRA], 1104NJ4004 (10/1/10 – 9/30/12), 1204NJ4005 (10/1/11 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-46 Reporting

Finding Type: Qualified, Material Weakness

Criteria

The state is required to submit the OCSE 34A Child Support Enforcement Quarterly Report of Collections (OMB No. 0970-0181).

Condition

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the New Jersey Kids Deserve Support (NJKiDS) system. The Department of Human Services prepares monthly and quarterly reconciliations to compare the collections and disbursements for the month and the quarter from the OCSE 34A report to the child support bank accounts. After preparation of reconciliations there are remaining irreconcilable differences, which vary on a monthly and quarterly basis for both collections and disbursements. As of June 30, 2012, the unreconciled differences were \$48.8 million and \$34.5 million, respectively for collections and disbursements.. The Department of Human Services identified possible general reasons for the differences which cannot be substantiated.

A similar finding was included in the 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003, 2003, 2002, 2001, and 2000 prior year single audit reports as items 11-9, 10-6, 09-7, 08-2, 07-5, 06-1, 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

Cause

The transaction volume in NJKiDS and the child support bank accounts are very large and many transactions have additional information, which cannot be captured through the manual reconciliation process. There are no specific system generated reports addressing all reconciling items. The Department expects the unexplained differences will continue until a service organization is contracted with to monitor both collections and disbursements.

Effect

There are remaining unexplained differences between the OCSE 34A report of collections and disbursements and the bank account transactions.

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Schedule of Findings and Questioned Costs

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Recommendation

We recommend that the Department continue to perform reconciliations between the child support bank accounts and OCSE 34A report, and improve the reconciliation procedures and methodology.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

\$34.4 million to \$48.8 million (Represents the unreconciled differences range of both collections and disbursements)

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

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TANF Cluster (93.558, 93.714)

Child Support Enforcement (93.563)

CCDF Cluster (93.575, 93.596)

Children's Health Insurance Program (93.767)

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0902NJTANF (10/1/08 – 9/30/09), 1002NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/10 – 9/30/12), 1104NJ4004 (10/1/10 – 9/30/12), 1204NJ4005 (10/1/11 – 9/30/13), 1101NJCCDF (10/1/10 – 9/30/13), 1201NJCCDF (10/1/11 – 9/30/14), 1105NJ5021 (10/1/10 – 9/30/12), 1205NJ5021 (10/1/11 – 9/30/13), 1105NJ5ADM (10/1/10 – 9/30/11), 1205NJ5ADM (10/1/11 – 9/30/12)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-47 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

Aspects of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282) (Transparency Act), as amended by Section 6202(a) of the Government Funding Transparency Act of 2008 (Pub. L. No. 111-252), that relate to subaward reporting (1) under grants and cooperative agreements were implemented as interim final guidance by OMB in 2 CFR part 170, effective October 1, 2010 (75 FR 55663 *et seq.*, September 14, 2010) and (2) under contracts, by the regulatory agencies responsible for the Federal Acquisition Regulation (FAR) in an interim rule, effective July 8, 2010 (75 FR 39414 *et seq.*, July 8, 2010). The interim final guidance and the interim rule have the same effect as final guidance or a final rule and will remain in effect until superseded by final issuances. If the final issuances include any changes to the interim requirements, they will have new effective dates. The requirements pertain to recipients (i.e., direct recipients) of grants or cooperative agreements who make first-tier subawards and contractors (i.e., prime contractors) that award first-tier subcontracts. There are limited exceptions as specified in 2 CFR part 170 and the FAR. The guidance at 2 CFR part 170 does currently apply only to Federal financial assistance awards in the form of grants and cooperative agreements, e.g., it does not apply to loans made by a Federal agency to a recipient; however, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.

For grants and cooperative agreements, the effective date is October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date. Once the requirement applies, the recipient must report, for any subaward under that award with a value of \$25,000 or more, each obligating action of \$25,000 or more in Federal funds.

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For contracts, implementation was phased in for contracts based on their total dollar value based on the FAR interim final rule, Transparency Act reporting is required for:

- Until September 30, 2010, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$20,000,000 or more.
- From October 1, 2010, until February 28, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$550,000 or more.
- Starting March 1, 2011, any newly awarded subcontract of \$25,000 or more must be reported if the value of the Federal prime contract award under which that subcontract was awarded was \$25,000 or more.

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Subaward Reporting System (FSRS) and report subaward data through FSRS.

Condition

The Department of Human Services (the Department) is responsible for the administration of the TANF Cluster, Child Support Enforcement Program, CCDF Cluster, Children’s Health Insurance Program and the Medicaid Cluster in the State of New Jersey (the State). The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2012 for applicable subawards subject to FFATA.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA.

Effect

The Department did not report the required subaward data under FFATA.

Recommendation

We recommend that the Department implement procedures to properly report subaward data required under FFATA.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

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Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Block Grants for Prevention and Treatment of Substance Abuse (93.959)

Grant Award Numbers and Years:

10B1NJSAPT (10/1/09 – 9/30/11), 11B1NJSAPT (10/1/10 – 9/30/12), 12B1NJSAPT (10/1/11 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Health and Human Services

Finding: 12-48 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Independent Peer Reviews

The State must provide for independent peer reviews which assess the quality, appropriateness, and efficacy of treatment services provided to individuals. At least 5 percent of the entities providing services in the State shall be reviewed. The entities reviewed shall be representative of the entities providing the services. The State shall ensure that the peer reviewers are independent by ensuring that the peer review does not involve reviewers reviewing their own programs and the peer review is not conducted as part of the licensing or certification process (42 USC 300x-53(a); 45 CFR section 96.136).

Condition

The Department of Human Services, Division of Mental Health and Addiction Services (the Department) is responsible for the administration of the Prevention and Treatment of Substance Abuse program (PTSA) in the State of New Jersey (the State). The Department provides for independent peer reviews of at least 5 percent of the entities providing treatment services.

The Bureau of Federal Funds Management (the Bureau) provides a listing of all treatment entities to Program Management. During State fiscal year 2012, there were thirty-eight treatment entities identified, of which three were selected for peer review.

During our subrecipient monitoring testwork, we noted that one of the fifteen included in our sample was not included on the list of treatment entities provided by the Bureau. The one treatment entity was identified by the contract with the Department as a treatment entity, but was left off the listing of entities utilized for selection for peer review.

Cause

The Department does not have controls in place to ensure that the listing provided by the Bureau is complete.

Effect

The population of treatment entities may not be complete and accurate and the Department could be missing treatment entities for selection for the peer reviews.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the Department review its procedures for the listing of treatment entities and implement any changes necessary to ensure that during the State fiscal year adequate controls are in place and operating effectively in regards to the independent peer reviews.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Vocational Rehabilitation Cluster (84.126, 84.390)

Grant Award Numbers and Years:

H126A120044 (10/1/10-9/30/11), H126A100011 (10/1/09-9/30/10), H126A120044-12B (10/1/11 – 09/30/12), H390A090044 (2/17/09 – 9/30/10) ARRA

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 12-49 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

Activities Allowed or Unallowed

1. Participation in a One-Stop Service Delivery System

Any service or administrative cost charged to the VR programs through participation in the one-stop service delivery system must be: (a) allowable under the program's authorizing statute and regulations; (b) allocable to the program under the State VR agency's cost allocation plan; and (c) consistent with the MOU between the State VR agency and the Local Workforce Investment Board. The MOU is the primary vehicle by which the State VR agency sets forth how it will participate in the one-stop service delivery system and how it will share in the cost of operating the system (29 USC 2841(b)(1)(B)(iv); 34 CFR section 361.4; 20 CFR part 662; Notice: *Resource Sharing for Workforce Investment Act One-Stop Centers: Methodologies for Paying or Funding Each Partner Program's Fair Share of Allocable One-Stop Costs*, issued May 31, 2001 (66 FR 29637)).

The MOU identifies the resources the State VR agency will provide for compliance with 20 CFR section 662.270, which requires the VR programs to support a fair share of the one-stop system's common administrative costs. The amount provided must be proportionate to the use of the system by individuals attributable to this program. The MOU may provide for cash payments of billings from the one-stop operator, or for providing goods and services that benefit the system's operation. Examples of goods and services that the VR agency may provide for this purpose include: (a) making VR staff available to provide training or technical assistance to other partners in such areas as disability, accessibility, adaptive equipment, and rehabilitation engineering; (b) VR staff participation in cooperative efforts with employers to promote job placement (such as job analysis and employer visits); and (c) applying VR staff and other resources to the VR program's participation in information and financial management systems that link all partners to one another.

Allowable Costs/Cost Principles

Central Service CAPs

- (1) The central service CAP must include all central service costs that will be claimed (either as an allocated or a billed cost) under Federal awards. Costs of central services omitted from the CAP will not be reimbursed.

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- (2) The documentation requirements for all central service CAPs are contained in A-87, Attachment C, paragraph E. All plans and related documentation used as a basis for claiming costs under Federal awards must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule.

Condition

Cost allocation plans (CAPs) represent the cost finding and reporting methodology employed to determine the reasonable, allowable, and allocable administrative costs incurred by the Department of Human Services (the Department) and its Divisions during the administration of its various program activities. Administrative costs include all expenditures for salaries, wages, fringe benefits, rent, equipment and supplies. Quarterly, a cost report is prepared based on the approved CAP. The cost report reflects the administrative costs chargeable to the different Divisions and Programs of the Department and the Divisions for use in preparing claims for Federal reimbursement.

The Department of Human Services, Commission for the Blind and Visually Impaired (CBVI) is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Cluster. During our testwork over the CAPs, CBVI did not prepare or submit to the Department the quarterly CAPs for the quarters ending December 31, 2011, March 31, 2012 and June 30, 2012.

Total program expenditures related to the Department were \$12,943,523 for State fiscal year 2012.

A similar finding was included in the 2011, 2010, 2009, and 2008 prior year single audit reports as items 11-11, 10-10, 09-6, and 08-7, respectively.

Cause

Cost allocation plans were not prepared for the quarters ending December 31, 2011, March 31, 2012 and June 30, 2012 due to understaffing and a lack of adequately trained staff to assist in the preparation of the reports.

Effect

Costs associated or not associated with the program may not be properly allocated.

Recommendation

We recommend that the Department prepare the CAPs in a timely manner to timely submit expenditures incurred by the program.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

Vocational Rehabilitation Cluster (84.126, 84.390)

Grant Award Number and Year:

H126A110044-12B (10/1/10 – 09/30/11)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 12-50 Reporting

Finding Type: Noncompliance, Significant deficiency

Criteria

Financial Reporting

Recipients should use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form). Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of the prescribed formats.

Federal Financial Report (FFR) (SF-425/SF-425A (OMB No. 0348-0061)). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

Condition

The Department of Human Services (the Department), Commission for the Blind and Visually Impaired (CBVI), is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Cluster.

During our testwork over reporting, we noted that CBVI submitted incorrect program income information on the Federal financial report (SF-425) for the semi-annual period ended September 30, 2011. The amount was corrected on the report submitted for the semi-annual period ended March 31, 2012.

Cause

The Department did not perform adequate review of the report to ensure the correct program income information was included.

Effect

Incorrect program income information was reported.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Recommendation

We recommend that the Department strengthen review procedures to ensure that accurate data is reported on the SF-425 reports for each semi-annual submission.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

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Year ended June 30, 2012

SNAP Cluster (10.551, 10.561)

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1NJ400404 (10/1/10 – 9/30/12), 1NJ420454 (10/1/10 – 9/30/12), 1NJ430451 (10/1/10 – 9/30/12), 1NJ400434 (10/1/11 – 9/30/13), 0902NJTANF (10/1/08 – 9/30/09), 1002NJTANF (10/1/09 – 9/30/10), 1001NJTAN2 (10/1/09 – 9/30/11), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/10 – 9/30/12)

State Agency: Office of Information Technology
Department of Human Services

Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services

Finding: 12-51 Other Requirements – Information Technology General Controls

Finding Type: Significant deficiency

Criteria

A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. As part of an entity's internal controls to reasonably ensure compliance over Federal laws and regulations, an entity must maintain an effective control environment over their information technology systems used to generate and process information to administer Federal programs in accordance with the respective rules and regulations that govern the program.

Condition

The State of New Jersey (the State), Office of Information Technology (OIT) oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure, which includes the Family Assistance Management Information System (FAMIS). The State of New Jersey, Department of Human Services, Division of Family Development (DFD) oversees the use of FAMIS at the County Welfare Agencies (CWAs), which are considered subrecipients of the State of New Jersey for the SNAP and TANF Clusters. As part of OIT's oversight for FAMIS, OIT develops and maintains a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with FAMIS. DFD is responsible to ensure application controls are properly monitored to ensure proper design, implementation, and operating effectiveness.

We noted the following deficiencies in the design of IT general controls over FAMIS:

1. Access at the Data Center at HUB and OIT Availability Recovery Site (OARS)

- During State fiscal year 2012, there were 217 ID's that were assigned to individuals with access to the HUB Data Center Server Room (houses FAMIS Production systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks. In addition, all individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms.

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Year ended June 30, 2012

- During State fiscal year 2012, there were 226 ID's that were assigned to individuals with access to the OARS Data Center Server Room (houses FAMIS related backup systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks.

2. *Accountability for access*

- Due to BULL mainframe system limitation, a root user account is shared by system administrators. This limits the possibility of tracing activity to an individual.
- Due to HAPS scheduler limitations, a generic user account is shared by job schedule administrators to schedule batch jobs. This limits the possibility of tracing activity to an individual.

3. *Disaster Recovery*

- The existing Disaster Recovery Plan over FAMIS does not reflect fiscal year 2012 changes and has not been tested during the State fiscal year 2012.

4. *Appropriateness of Access*

- User accounts in FAMIS exist where individuals have Case Worker Level Access as well as Supervisor access, due to which these accounts have the ability to review as well as release/update benefit applications.

A similar finding was included in the 2011, 2010, 2009, 2008, and 2007 prior year single audit reports as items 11-15, 10-12, 09-10, 08-44, and 07-8, respectively.

Cause

1. *Access to the Data Center at HUB and OARS*

- Access to the Data Center is controlled by a system that provisions access based on groups for which users are assigned. Individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms therefore, does not allow control over each individual's need for access.

2. *Accountability for access*

- System limits creation of one administrator account which is shared by multiple individuals.

3. *Disaster Recovery*

- The existing Disaster Recovery Plan was not updated for the current fiscal year and testing is not performed.

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4. *Appropriateness of Access*

- System does not enforce segregation of duties, where individuals can only be given access as a Case Worker, or a Supervisor. Individuals can get access at both levels that enables them to review as well as release/update benefit applications.

Effect

1. *Access to the Data Center at HUB and OARS*

- There is a risk of inappropriate access to the servers that house critical data for the State to administer its Federal programs.

2. *Accountability for access*

- Activity performed by an account cannot be traced to an individual, leading to a lack of accountability on accounts that have powerful access.

3. *Disaster Recovery*

- The absence of periodic recovery tests may prevent recovery of the FAMIS application and relevant data in case of a disaster.

4. *Appropriateness of Access*

- A lack of system controls and configuration, as well as inappropriate monitoring of access to data, could result in not having accountability, inaccurate data being stored and inappropriate use of information.

Recommendation

1. *Access to the Data Center at HUB and OARS*

- We recommend that OIT perform the following with regard to access to the Data Center:
 - Provide access to only those individuals that are required and approved to enter the Data Center and Server Room;
 - Perform reviews of users that can access the Data Center and Server Room or should be removed; and
 - Perform reviews of those individuals who have access to the Data Center and Server Room on a continuous basis to determine that only appropriate individuals were allowed access to the Data Center and Server Room.

2. *Accountability for access*

- We recommend that OIT establish formalized procedures to review and monitor system access rights for shared accounts and documentation of review be maintained.

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3. *Disaster Recovery*

- We recommend that the Disaster Recovery Plan be updated to the current year and testing be performed periodically to assess the process, tools, and people involved with this process.

4. *Appropriateness of Access*

- We recommend that there be segregation of duties in accounts where the same individuals do not have Supervisor as well as Case Worker Level access.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Cost

None

View of Responsible Official

See management's corrective action plan.

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Supplemental Nutrition Assistance Program Cluster (10.551, 10.561)

Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559)

Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)

Child and Adult Care Food Program (10.558)

Section 8 Housing Choice Vouchers (14.871, 14.879)

WIA Cluster (17.258, 17.259, 17.278)

Weatherization Assistance for Low-Income Persons (81.042)

ARRA – Weatherization Assistance for Low-Income Persons (81.042)

TANF Cluster (93.558, 93.714)

Child Support Enforcement (93.563)

ARRA – Child Support Enforcement (93.563)

Low-Income Home Energy Assistance (93.568)

CCDF Cluster (93.575, 93.596)

Social Services Block Grant (93.667)

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

Various

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

U.S. Department of Housing and Urban Development

U.S. Department of Labor

U.S. Department of Energy

U.S. Department of Health and Human Services

Finding: 12-52 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 (or \$300,000 prior to that date) as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required

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audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

Special Tests and Provisions

R3 – Subrecipient Monitoring

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the Federal award number, CFDA number, and the amount of ARRA funds; and (2) require their subrecipients to provide similar identification (as noted in R2 above) in their SEFA and SF-SAC. Additional information, including presentation requirements for the SEFA and SF-SAC, is provided in Appendix VII (2 CFR section 176.210).

Condition

The State of New Jersey (the State) utilizes the online Grantee Single Audit (GSA) Tracking System to track the receipt and desk reviews of subrecipient OMB Circular A-133 audit reports. The State has assigned various State of New Jersey Departments as cognizant agencies. It is each cognizant agency's responsibility to:

- Review online GSA reports;
- Determine if subrecipients assigned to their department are subject to State of New Jersey and/or Federal single audits;
- Perform desk reviews of the audit reports, and;
- Update the GSA system online.

The Department of Human Services (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients which include County Welfare Agencies and Child Care Resource and Referral Agencies.

During the State fiscal year 2012, sixty-seven subrecipients were required to submit OMB Circular A-133 audit reports to the Department. We selected a sample of six of the Department's subrecipient audit reports to ensure that desk reviews were being performed timely and management decisions on audit findings noted during the desk reviews were completed and communicated to the subrecipients within 6 months after receipt of the subrecipient's audit report. We noted for the five OMB Circular A-133 audit reports selected in which the subrecipient reported expenditures funded under the American Recovery and Reinvestment Act (ARRA) out of the six OMB Circular A-133 audit reports selected for testwork, the Department did not document whether the subrecipient audit reports were in compliance with ARRA reporting requirements.

Our testwork also noted one subrecipient that had an inaccurate fiscal year end in the GSA system which resulted in an incorrect due date in the GSA and one subrecipient audit report that was not identified in the GSA as requiring an OMB Circular A-133 audit even though it was required.

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Year ended June 30, 2012

Cause

The Department did not establish a formal process of documenting subrecipient compliance with reporting requirements under ARRA as a part of their desk review procedures. Also, the Department does not have sufficient procedures and internal controls in place to ensure timely and accurate updating of the GSA system.

Effect

Subrecipients may not be complying with the ARRA requirements. Also, information regarding monitoring of subrecipients may not be properly updated in the GSA online system to allow other State departments and agencies to perform any follow-up procedures if they pass funds through to the same subrecipients.

Recommendation

We recommend that the Department establish formal guidelines for documenting subrecipient compliance with all applicable ARRA requirements as part of their standard desk review procedures. We also recommend that the Department implement procedures to ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports.

Related Noncompliance

Based on the above, the Department was not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN
(Unaudited)

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Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-1 11-2 10-1 09-1 08-1 07-42	<p>The Bureau of Quality Control (BQC) concurs with this finding.</p> <p>In order to correct this situation, the Division of Medical Assistance & Health Services (DMAHS) recently added four Quality Control Reviewers to the six existing field staff members in an effort to review 87 cases per month State wide at the County Welfare Agencies (CWA). This will enable the BQC to remain current for the Federal Fiscal Year 2013 & State Fiscal Year 2013 PERM Medicaid and MEQC Review. The Department is operating on an approved Sampling Plan by the Center for Medicare & Medicaid Services (CMS) and the DMAHS complies with the CMS requirement of 1044 cases annually. The Corrective Action Plan submitted to CMS outlines several ongoing initiatives by the DMAHS to resolve the problem of completing redeterminations on a timely basis. As of March 1, 2013, the average redetermination percentage performed by the counties reached 63% and the Division anticipates that by the end of this fiscal year it will be in excess of 70%. The implementation of the Consolidated Assistance Support System (CASS) in Fiscal Year 2014 will solve the issue of timely redeterminations.</p>	<p>December 2012</p> <p>Adeline Rivera, Acting Director - BQC (609) 588-2960</p>
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-2 No finding in prior year	<p>The Board of Public Utilities (BPU) will require an independent audit of its Information Management System (IMS) or equivalent, which is managed by the NJ Clean Energy Program (NJCEP) Administrator. The audit will conform to Statement on Standards for Attestation Engagements No.16 (SSAE 16).</p> <p>The BPU is currently writing the Request for Proposal (RFP) for this audit and will issue it before June 30, 2013, the end of the grant Period of Performance.</p>	<p>RFP Issuance: By June 30, 2013</p> <p>SSAE 16 Audit: Upon Completion of Award</p> <p>Elizabeth Ackerman (609) 292-0072</p>
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Cash Management</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-3 No finding in prior year	<p>The following actions were undertaken by the Board of Public Utilities (BPU) to create and establish the Revolving Loan Fund (RLF):</p> <ul style="list-style-type: none"> • BPU Board Order authorizing the creation of the RLF was issued in April 2012. • Memorandum of Understanding (MOU) was executed with the New Jersey Economic Development Authority on May 10, 2012. 	<p>May 2012</p> <p>Elizabeth Ackerman (609) 292-0072</p>

¹ Current and prior year finding number(s)

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	<ul style="list-style-type: none"> Funds were transferred to the RLF on May 29, 2012. 	
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Davis-Bacon Act</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-4 No finding in prior year	<p>The Information Management System (IMS) employs a “pink logic” for Davis-Bacon Act compliance. This logic highlights in pink all invoices that require review for Davis-Bacon Act (and Buy American) compliance, and prevents said invoices from being approved for payment until the certified payrolls have been reviewed. For some ARRA State Energy Program programs, these certified payrolls were uploaded into IMS as supporting documentation. However, this did not occur uniformly across all programs.</p> <p>BPU will require that all documents demonstrating compliance to federal flow down requirements be uploaded into IMS as a condition of payment. This requirement will be effectuated via a policy memorandum sent to NJ Clean Energy Program (NJCEP) staff and Applied Energy Group, Inc. (AEG) prior to June 30, 2013.</p>	June 30, 2013 Elizabeth Ackerman (609) 292-0072
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-5 No finding in prior year	<p>The BPU indicated in the Memorandums of Understanding (MOUs) with other state agencies the requirement that said state agency comply with all federal flow down requirements of the grant, including the requirement to verify that vendors and contractors receiving grant funds are not suspended or debarred. Going forward all federal flow down requirements will be listed and identified in MOUs. In addition, all subrecipients will be required to submit a suspension and debarment certification as a condition of payment. Said certification will be uploaded into IMS. This requirement will be effectuated via a policy memorandum sent to NJCEP staff and AEG prior to June 30, 2013.</p>	June 30, 2013 Elizabeth Ackerman (609) 292-0072
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Procurement and Suspension and Debarment</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-6 No finding in prior year	<p>BPU maintains emails documenting the verification of expenditures and unliquidated obligations between IMS and the NJ Comprehensive Financial System on a monthly basis. However, BPU will formalize the process within IMS by implementing a “blue logic” which requires BPU Fiscal sign off as to the accuracy and completeness of the IMS reports which provide the data for both the FFRs and OMB 1512 reports.</p>	Process Change: March 1, 2013

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	The quarterly FFR report for June 30, 2012 was not submitted at the request of the US Department of Energy (USDOE). During the same week that KPMG was on site performing audit fieldwork, USDOE was also in town working with BPU and the IMS to perform data quality verification. A draft of the FFR report was filed with USDOE on March 1, 2013 and awaits USDOE review. This “final” report issue remains in flux with USDOE due to Hurricane Sandy and NJ’s need for emergency relief funds that resulted in USDOE reopening the ARRA State Energy Program grant and extending the Period of Performance to June 30, 2013.	Report Submission: March 1, 2013 Elizabeth Ackerman (609) 292-0072
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Subrecipient Monitoring and Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-7 No finding in prior year	BPU will include all CFDA numbers on subrecipient award documents (i.e. MOUs, checks, etc.) and will require all first-tier subrecipients to submit a suspension and debarment certification. This certification document will be uploaded to IMS as a condition of payment. The BPU fiscal officer will also include the CFDA number on all checks issued as payments against the ARRA State Energy Program (SEP) grant. These requirements will be effectuated via a policy memorandum sent to NJCEP staff and AEG prior to June 30, 2013. BPU has site visit reports on hand and available for review from NJ Transit and EDA projects.	June 30, 2013 Elizabeth Ackerman – BPU (609) 292 0072 Ken Kutch – Treasury (609) 633 9064
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-8 No finding in prior year	BPU State Energy Program (SEP) fiscal operations had been divided between the BPU Fiscal Office and the Department of the Treasury Administration Division during the period of State Fiscal Year 2012. Review of the annual Schedule of Expenditures of Federal Awards (SEFA) report was not coordinated between these organizations. During the 3 rd quarter of State Fiscal Year 2012, all BPU SEP grant fiscal responsibilities were transferred to the Treasury Division of Administration; this transfer will ensure a coordinated review of the OMB issued SEFA report at the end of each fiscal year. Treasury has reviewed reporting requirements with OMB and will continue to implement expenditure coding consistent with reporting requirements.	July 1, 2013 Ken Kutch – Treasury (609) 633-9064
Adoption Assistance (93.659) State Agency: Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
<i>Eligibility</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

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<p>12-9 11-25 10-16 09-26 08-25 07-41</p>	<p>1. <u>Adoption Subsidy Agreement</u></p> <p>The audit noted that in nine out of sixty-five cases, the Department of Children & Families (DCF) did not receive the subsidy agreement renewal form for State Fiscal Year 2012. There are no questioned costs associated with this finding, as the renewal form is required to comply with Departmental policy however; it is not required on an annual basis according to Federal regulations.</p> <p><i>Response:</i></p> <p>DCF has drafted a new Adoption Subsidy agreement and annual notification letter that was implemented into policy. The corrective action was completed on 5/14/2012 by changing the policy in reference to the annual notice. This year findings of the final notice represent occurrences noted prior to the implementation of the corrective action listed above.</p> <p>Families will sign an Adoption Subsidy Agreement that still notifies them of their responsibility to notify DCF of any change and the possible consequences of their failure to do so. DCF will then annually send them a notification of their legal obligation to their adopted child and reminding them that “unless they notify us of any changes to their or their adopted child’s eligibility for the adoption subsidy, that the Division will continue to provide them with monthly subsidy payments”. DCF will maintain a copy of this annual letter in our files. As of 5/14/2012, DCF modified its annual renewal process and upgraded the Adoption Subsidy policy to reflect the stated changes in the process.</p>	<p>Completed – May 2012</p> <p>Betty Berzin (609) 888-7461</p>
<p>Foster Care Title IV-E (93.658) Adoption Assistance (93.659) State Agency: Office of Information Technology Department of Children and Families Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Other Requirements – Information Technology General Controls</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-10 11-28 10-17 09-28 08-6</p>	<p>1. <u>Disaster Recovery Test</u></p> <ul style="list-style-type: none"> • A disaster recovery test was not performed for NJSPIRIT during State Fiscal Year 2012. <p><i>Response:</i></p> <p>The Department of Children & Families (DCF) has been working with the Office of Information Technology (OIT) and we expect the new Disaster Recovery (DR) environment to be procured within State Fiscal Year 2013. A DR test was performed in August 2010 and has provided valuable insight into the planning and design of NJSPIRIT's new DR environment. The completion of this new DR environment is reliant on OIT purchasing the needed equipment. Progress toward implementation has been made. The DR test is reliant upon the procurement and development of the DR environment, which is scheduled for State Fiscal Year 2013.</p> <p>2. <u>User Access Provisioning and Monitoring</u></p> <ul style="list-style-type: none"> • User access modifications to NJSPIRIT and supporting approvals could not be validated, as the system does not maintain a listing/log of changes that were made in the system. <p><i>Response:</i></p> <p>Currently, DCF manually captures all user access modification requests related to NJSPIRIT throughout the year. DCF has established protocol concerning the documentation, approval, and maintenance of these modifications requests. Due to a decision made by DCF</p>	<p>Calendar Year 2013</p> <p>Jason Ciseck (609) 888-7267</p> <p>Fiscal Year 2013</p> <p>Jason Ciseck (609) 888-7267</p>

¹ Current and prior year finding number(s)

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	<p>administration, that security is decentralized and these manual records are kept in local offices throughout the State. As an internal check, DCF conducts an annual NJSPIRIT user access review to ensure that all user access is up to date and correct. At this time, the centralized NJSPIRIT security unit randomly samples 10% of these offices to further ensure that the day-to-day access modification protocol is being followed throughout the year and proper documentation is kept.</p> <p>DCF acknowledges that this current system is manual and is unable to be audited from within NJSPIRIT. DCF will pursue the recommendation of maintaining a system log of user accounts. The NJSPIRIT application will need to be enhanced to allow for the capturing of the historical user account information. Progress toward implementation has been made.</p> <p>DCF has developed a NJSPIRIT enhancement to capture worker profile history, which in turn will allow for accurate validation of the internal controls surrounding user access modifications. This enhancement was released into production mid-State Fiscal Year 2013 (November 2012).</p>	
<p>Child and Adult Care Food Program (10.558) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>12-11 No finding in prior year</p>	<p>The Child and Adult Care Food Program (CACFP) unit initiated immediate corrective action regarding the administrative review oversight noted. The Nutrition Program Specialist responsible for this institution immediately conducted an administrative review on November 15, 2012 and program deficiencies were identified. The institution has submitted corrective actions and they are currently being reviewed to complete the administrative review process. This finding was due to a manual data entry error and the missing agreement number and sponsor information have been added to the CACFP Administrative Review Log. The CACFP unit will manually verify the Administrative Review log to insure that all sponsors are included to avoid this error in the future.</p> <p>The Division of Food and Nutrition is also in the process of procuring an online web-based system for the administration of the Child and Adult Care Food Programs. This new online system will help improve data integrity and program administration.</p>	<p>Administrative Review: Completed - November 2012</p> <p>System Procurement & Implementation: Start Date – March 1, 2013</p> <p>Tanya Johnson (609) 984-1250</p>
<p>Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation</p> <p><i>Davis-Bacon Act</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>12-12 11-33 10-24 09-34</p>	<p>The Division of Civil Rights/Affirmative Action’s Wage Rate Unit has established internal controls, including the development of internal Wage Rate tracking and monitoring forms to ensure that wage rate inspections are completed and that payroll summaries, certified payrolls, and documentation of inspections are submitted timely.</p>	<p>February 11, 2013</p> <p>Amadeo Miro (609) 530-2151</p> <p>Civil Rights/Affirmative Action – Wage Rate Unit</p>

¹ Current and prior year finding number(s)

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Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation		
Reporting		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-13 No finding in prior year	<p>The NJ Department of Transportation (NJDOT) recognizes that it is not in compliance with the Federal OMB requirements that all grant subawards (contracts or sub-grants) of \$25,000 or more, issued beginning October 1, 2010 must be reported through www.fsr.gov.</p> <p>To bring NJDOT into compliance it is taking the following action steps:</p> <ol style="list-style-type: none"> 1. Convene a working group by February 7, 2013, chaired by the Assistant Commissioner, Capital Investment, Planning and Grant Administration for the purpose of developing procedures to compile this information and report it accordingly. <ol style="list-style-type: none"> a. The group targets development of draft Policy and Procedures by April 30, 2013. b. The group will seek to take advantage of mechanisms developed for ARRA reporting that minimize duplicate data entry and ensure quality data. c. New mechanisms may have to be developed to facilitate reporting. These may require work that extends beyond April 2013. 2. The first priority for reporting into www.fsr.gov is the Federal Fiscal Year 2012 data, i.e., data for sub-grants and contracts made October 1, 2011 and later. The goal will be to get Federal Fiscal Year 2012 data current in www.fsr.gov by June 30, 2013. 3. NJDOT will work to report on Federal Fiscal Year 2013 data while ensuring that 2013 reporting is maintained. 	<p>Reporting Policy and Procedures: April 30, 2013</p> <p>FFATA Reporting of 2012 Data: June 30, 2013</p> <p>Dave Kuhn (609) 530-3855</p> <p>Capital Investment, Planning and Grant Administration</p>
Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation		
Subrecipient Monitoring and Special Tests and Provisions		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-14 No finding in prior year	<p>Current procedures were updated to clearly define review and reporting responsibilities and references to the Grantee Single Audit Tracking System (GSA) site. The desk review checklist was updated to address ARRA requirements. A SharePoint site is available to maintain required submitted subrecipient single audits, procedures, guidelines, and desk review results. Division management is preparing a calendar of financial reporting events including Single Audit reviews that will include e-mail notifications to responsible parties to address due dates. There is a plan to transfer these functions to the Bureau of Auditing as a more appropriate area to comply with Federal OMB A-133 requirements and perform follow-up reviews.</p>	<p>Updated Procedures: February 25, 2013</p> <p>Data Uploaded for FY12: March 1, 2013</p> <p>Transfer of Responsibility: March 1, 2013</p> <p>Judy Sigle</p>

¹ Current and prior year finding number(s)

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		(609) 530-2343 Accounting and Auditing
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Department of Transportation Federal Agency: U.S. Department of Homeland Security		
<i>Allowable Costs/Cost Principles</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-15 No finding in prior year	Operations Support has recently established an Operations Systems Support Unit (OSU). In addition to other supporting programs, the OSU primarily manages and supports the Maintenance Management System (MMS). This Unit will review and ensure that all data entered that supports disaster reimbursement are correct. (i.e. the FEMA tables) Additionally, before any reimbursements are submitted a final review of costs will be performed for greater accuracy.	February 21, 2013 Andrew Tunnard (609) 530-2589 Operations Support
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Matching, Suspension and Debarment, and Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-16 11-35	<p>Information requested by FEMA to approve a Project Worksheet (PW) from an applicant does not include DUNS, FFATA, and Suspension and Debarment forms. Processes are now in place to obtain the FFATA and Suspension and Debarment forms from the applicants, but this is done after a project is approved and underway, or after a project has been completed and reimbursement requested. In order to address these concerns, as well as to effectively manage the entire Public Assistance program, the State and the Division of State Police (NJSP) are implementing an MB3 disaster and emergency management system. The software application will enable the applicant to download the required forms (FFATA, Debarment, etc.), complete, sign, and upload the forms back into the System. The suspension and debarment information will be entered into the Federal Excluded Parties List System (EPLS) database, www.SAM.gov, to assure they are not on the list. Once verified, the applicant will be able to move into the PW phase. A consulting firm has been brought on to oversee the process flow. In the interim, the NJSP and the NJ Office of the Attorney General will coordinate efforts to obtain and record all required information.</p> <p>For the open disasters that have been implemented, processes already have occurred and payments have been completed; however, efforts are being made to obtain the required above information from all of the applicants with approved PWs.</p> <p>Regarding match requirements, the NJ Office of the Attorney General will assist the NJSP in ensuring that all requirements are met and that necessary documentation is provided. Currently, 50% of all funds for large projects are being held until the match is verified and documented.</p>	September 1, 2013 Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)		

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State Agencies: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
Cash Management		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-17 11-36	<p>Of the 65 payments selected, 63 were paid within 22 days, and all but one of those was paid within 15 days. There were two payments where the payment dates were 299 days and 461 days, however, these were the exception. The NJSP Grants Administration Bureau (GAB), and the Public Assistance Unit (PAU) have improved their coordination and information sharing to drawdown funds as close as administratively possible to the actual payment to a subrecipient. The acquisition of additional Emergency Management Mission Integrated Environment (EMMIE) terminals, and staff added to the PAU have greatly assisted in this effort. Accordingly, the amount of time funds are held on-hand has been further reduced.</p> <p>Additionally, new procedures are in place that prohibit excess funds from being utilized for payment to another subrecipient. Excess funds are now returned as quickly as possible, after the determination that the funds were not needed for the specified Project Worksheet (PW).</p> <p>The MB3 system will address these issues and narrow the gap between drawdowns and payments. Documents will be approved, and the System will prevent the delays as well as allow for post drawdown and payment reconciliation.</p>	<p>July 1, 2013</p> <p>Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit</p> <p>Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration</p> <p>Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit</p>
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
Period of Availability		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-18 11-37	<p>The proposed MB3 system will include a work completion date for every Project Worksheet (PW). There is a formal FEMA process to request extensions which is monitored in the System. FEMA, based on the size of the disaster, programmatic changes, and changes to the CFR, may issue a blanket extension for the projects. Formal letters are issued and the extensions will need to be entered into the System. The Public Assistance Unit will notify the subrecipients of the extensions. With this new System, projects will be monitored for completion and time extension reviews.</p>	<p>September 1, 2013</p> <p>Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit</p> <p>Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration</p> <p>Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit</p>
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		

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<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-19 11-38	<p>Information requested by FEMA to approve a Project Worksheet (PW) from an applicant does not include DUNS, FFATA, and suspension and debarment forms. Processes are now in place to obtain the FFATA and suspension and debarment forms from the applicants, but this is done after a project is approved and underway, or after a project has been completed and reimbursement requested. In order to address these concerns as well as to effectively manage the entire Public Assistance Program, the State and the Division of State Police (NJSP) will utilize the MB3 software program.</p> <p>The software will enable the applicant to download the required forms (FFATA, Debarment, etc.), complete, sign, and upload the forms back into the System. Once verified, the applicant will be able to move into the PW phase. In the interim, the NJSP and the NJ Office of the Attorney General will coordinate efforts to obtain and record all required information.</p> <p>For the open disasters that have been implemented, processes already have occurred and payments have been completed; however, efforts are being made to obtain the required above information from all of the applicants with approved PWs.</p> <p>It should be noted that FFATA information can only be entered into FSRS if the Public Assistance Grant with which that sub-grant is associated has been entered into FSRS. To date, FEMA has not entered any Public Assistance Grants into FSRS, making it impossible for the information to be entered. On a regular basis, the Department will make an effort to enter FFATA information into FSRS, and will document that effort going forward.</p>	<p>September 1, 2013</p> <p>Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit</p> <p>Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration</p> <p>Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p>		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-20 11-40	<p>The NJSP and the NJ Office of the Attorney General will communicate with the NJ Treasury-Office of Management and Budget (NJOMB) to review operating procedures which outline instructions for agencies that transfer funds via an inter-governmental transfer. The agency or the recipient of these funds should have accurate reporting instructions when these transfers are complete. Currently, the Division is using a Business Objects report to capture which agency receives each transfer for the said time period. A comprehensive procedural guideline will eliminate the above condition.</p>	<p>July 1, 2013</p> <p>Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit</p> <p>Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration</p> <p>Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit</p>

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Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
Equipment		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-21 No finding in prior year	<p>The NJ Office of Homeland Security & Preparedness (OHSP) follows its Fixed Asset Inventory Policy 2010-04 for all assets with an original cost of \$1,000 or more. The OHSP Facilities Unit records all items received on the Equipment Delivery Receipt form 2010-04A regardless of cost. If the asset's cost is \$1,000 or greater, it is bar coded and recorded in the OHSP's Master Inventory Database. If an asset meets the capital criteria established by the NJOMB Circular Letter 11-18-OMB, it is recorded in the Land, Building Asset Management (LBAM) database system. All fixed Assets are tracked and recorded in the accordance with the NJOMB Circular Letter 11-19-OMB. When OHSP purchases equipment on behalf of State or local government agencies and the equipment is delivered to-site, OHSP records delivery of the asset(s) on form 2010-04A. When the receiving agency representative arrives to claim the purchased equipment, they are required to verify the equipment and sign the OHSP Equipment Inventory Transfer Form 2010-04B. This form indicates the receiving agency shall assume all responsibility for the equipment and will record it in their inventory system. The OHSP Equipment Inventory Transfer Form 2010-04B is not processed when equipment is delivered and received by the State and/or local government agency.</p> <p>For any future equipment purchases processed on behalf of any State or local government agency, OHSP will require the agency to complete and sign the Equipment Inventory Transfer Form 2010-04B.</p> <p>All subgrantees receiving Federal Homeland Security Grant Program funding sign the State of New Jersey Federal Grant Agreement. The Grant Agreement outlines the Post-Award Requirements for subgrantees. The Grant Agreement Section XIII. Property Management and Disposition Standards detail the subgrantees responsibility for managing and disposing of assets.</p> <p>The Division of State Police (DSP) converted their inventory control system from FoxPro to INFORDATABASE. However, during the conversion, some of the data was corrupted. While DSP was able to identify and locate the equipment selected, the data corruption made it difficult to match the serial number to the piece of equipment. It should be noted that the selected equipment was able to be identified as purchased from the respective grant during the timeframe of the audit year's expenditures. Even though similar equipment may have been purchased, those purchases did not fall within the fiscal year of audit. In addition, each unit responsible for the equipment selected was available to meet with the auditor for visual inspection of the equipment. Inventory procedures are now in place to ensure the capture of all relevant inventory information.</p>	<p>February 22, 2013</p> <p>Steve Talpas - OHSP (609) 584-4811</p> <p>Bill Kelly - OHSP (609) 584-4179</p> <p>September 1, 2013</p> <p>Jeff Mottley (609) 882-2000 x2351 NJSP Public Assistance Unit</p> <p>Patrick Callahan (609) 882-2000 x6058 NJSP Grants Administration</p> <p>Peter Traum (609) 984-4983 NJOAG Strategic Planning Unit</p>
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
Suspension and Debarment		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-22 No finding in prior	<p>The NJ Office of Homeland Security & Preparedness (OHSP) Grant and Program Management Bureau will build into its Grants Tracking System a requirement that a signed sub-grant agreement is on file prior to authorizing grant expenditures. The OHSP Fiscal Office will also check and document that the subgrantee is not listed on the federal Excluded Parties List System (EPLS) by reviewing</p>	<p>February 22, 2013</p> <p>Steve Talpas - OHSP</p>

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year	EPLS record through the following federal link: https://www.sam.gov/portal/public/SAM OHSP sub-grant agreements will also specifically state that these requirements also apply to lower tier subrecipients who may receive funding or payments (pass-through) from the primary recipient.	(609) 584-4811 Bill Kelly - OHSP (609) 584-4179
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-23 No finding in prior year	On January 23, 2013, the NJ Treasury-Office of Management and Budget (NJOMB) corrected the CFDA numbers in the NJ Comprehensive Financial System. NJOMB verified this correction was made and provided our office with the Federal A-133 Compliance Supplement for our review and action for future Homeland Security grant awards. The NJ Office of Homeland Security & Preparedness (OHSP) will adhere to the requirements outlined in the Federal A-133 Compliance Supplement.	January 23, 2013 Steve Talpas - OHSP (609) 584-4811 Bill Kelly - OHSP (609) 584-4179
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Reporting and Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-24 No finding in prior year	The NJ Office of Homeland Security & Preparedness (OHSP) Grant and Program Management Bureau have recently entered some required data under FFATA into the www.frs.gov system. We have experienced a technical problem and requested federal assistance to remedy our data entry problem we are experiencing. Federal support to address the issue is lacking. Collection of the DUNS number for each subgrantee agency will become a requirement within our Grant Tracking System.	February 22, 2013 Steve Talpas - OHSP (609) 584-4811 Bill Kelly - OHSP (609) 584-4179
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-25 No finding in prior year	The NJ Office of Homeland Security & Preparedness (OHSP) will adhere to the 45-day award requirement. While OHSP understands KPMG's finding based on the audit criteria, OHSP respectfully disagrees since there appears to be a discrepancy between the compliance supplement used by KPMG and additional authoritative guidance that was received by FEMA on this matter suggesting that the time frames were being extended. On February 26, 2013, FEMA Grant Preparedness Directorate sent the following statement to	February 22, 2013 Steve Talpas - OHSP (609) 584-4811

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	<p>OHSP in reference to the 45 day pass through requirement:</p> <p>"The FY 2011 Initial Strategy Implementation Plan (ISIP) will be available for completion in the Grants Reporting Tool (GRT) tomorrow, October 7th, 2011. ISIP's will be due in 45 calendar days, November 21st, 2011. This year, the ISIP Funding and Pass-through component is required for the SHSP and UASI programs only. The Investment component will need to be completed for all HSGP subprograms. The enforcement mechanism FEMA/GPD is in place to ensure compliance with the 45 day rule is the Grants Reporting Tool (GRT). As long as Initial Strategy Implementation Plans (ISIP) are submitted in the GRT by the required ISIP due date the state is in compliance as far as the programmatic office is concerned."</p> <p>The five SHSP subgrant awards were issued on October 28, 2011, which is within the allotted time period as described above. OHSP will bring this discrepancy to FEMA's attention for possible correction/inclusion in the next Federal Compliance supplement issued.</p>	<p>Bill Kelly - OHSP (609) 584-4179</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture U.S. Department of Health and Human Services</p> <p><i>Reporting</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-26 11-45</p>	<p>The NJ Department of Health (DOH) has reviewed the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) and will be developing a reporting system to meet the requirements. The loss of staff in the Grants Management Unit has delayed this development and implementation. DOH expects to develop and implement procedures by April 1, 2013.</p>	<p>April 1, 2013</p> <p>Walter C. Valora (609) 633-1528</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Immunization Cluster (93.268) HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture U.S. Department of Health and Human Services</p> <p><i>Cash Management</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-27 No finding in prior year</p>	<p>The NJ Department of Health process has been changed so that there are three (3) different employees involved in the transaction. The analyst prepares the report for the drawdown; the accountant initiates the draw in the Payment Management System and prepares the Cash Receipt (CR) document in the NJ Comprehensive Financial System; and the Assistant Director reviews the drawn down documentation and compares it to the supporting documentation and applies the final approval on the CR transaction.</p>	<p>March 1, 2013</p> <p>Denise Mennuti (609) 633-6800</p> <p>Jackie Shelly (609) 633-2104</p> <p>Walter C. Valora</p>

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		(609) 633-1528
HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-28 No finding in prior year	The NJ Department of Health process has been changed to so that the Assistant Director or the Director will certify the quarterly SF 425 reports to preserve the appropriate segregation of duties for this process.	October 2012 Denise Mennuti (609) 633-6800 Jackie Shelly (609) 633-2104 Walter C. Valora (609) 633-1528
HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-29 11-41	The NJ Department of Health agrees with the recommendation and has implemented written policies and procedures related to the Health Insurance Continuation Program (HICP) and, in particular, the client renewal for HICP and their subsequent review for eligibility. These procedures were developed and implemented subsequent to the State Fiscal Year 2011 Single Audit but not in time to prevent the conditions cited in the State Fiscal Year 2012 audit.	July 1, 2012 Dr. Sindy Paul (609) 984-6145
HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Level of Effort and Earmarking</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-30 No finding in prior year	<u>Level of Effort – Maintenance of Effort</u> The NJ Department of Health (DOH) acknowledges that for State Fiscal Year 2012 the maintenance of effort was not achieved falling short of the State Fiscal Year 2011 mark of \$28,387,000 by \$171,000 in expenditures and obligations. DOH would point out that this shortfall amounts to a 0.6% decrease in the level of effort from State Fiscal Year 2011. DOH would ask the funding authority to consider this level of materiality for the infraction. The decrease in the level of maintenance of effort is due to the continued attrition of employees in the program as well as the Department. DOH will project the level of maintenance of effort for future grant years and, if it appears that the proper level of effort will not be achieved, will request a waiver of this requirement from the funding authority.	LOE/MOE: March 1, 2013 Walter C. Valora (609) 633-1528

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	<p><u>Earmarking</u></p> <p>On October 5, 2012, the Department requested a waiver of the Women, Infants, Children, and Youth earmarking requirement from Federal funding authorities at the Health Resources and Services Administration (HRSA). That waiver request was approved in November 2012. The Department will continue to monitor earmarking levels and follow required procedures in effect.</p>	<p>Earmarking: October 2012</p> <p>Dr. Sindy Paul (609) 984-6145</p> <p>Mike Kozlosky (609) 633-9654</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) HIV Care Formula Grant (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring</i></p>		
<p>FINDING #¹</p>	<p>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p>COMPLETION DATE/ CONTACT PERSON</p>
<p>12-31 No finding in prior year</p>	<p>The Department agrees with the recommendation and will consistently update the Grantee Single Audit Tracking System (GSA) to ensure proper communication regarding the status of subrecipient audit reports. The Department will ask the NJOMB to examine if the GSA system can be modified to include data edit checks so that users cannot enter invalid dates (received dates prior to fiscal year end dates).</p>	<p>March 1, 2013</p> <p>Marsha Lau (609) 633-2764</p> <p>Walter C. Valora (609) 633-1528</p>
<p>Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Title I, Part A Cluster (84.010, 84.389) Special Education Cluster (IDEA) (84.027, 84.173, 84.391, 83.392) Improving Teacher Quality State Grants (84.367) Education Jobs Fund (84.410) Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Education Federal Agency: U.S. Department of Agriculture U.S. Department of Education U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring</i></p>		
<p>FINDING #¹</p>	<p>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p>COMPLETION DATE/ CONTACT PERSON</p>
<p>12-32 11-51 10-27 09-42 08-46</p>	<p>The finding stated in part “the Department of Education, Office of Fiscal Accountability and Compliance (OFAC) is not timely performing the desk reviews as 5 of the 39 were desk reviewed between 7 and 8 months after receipt of the subrecipient audit report. We also identified 2 reports during our testwork that were received and desk reviewed but the received and desk reviewed dates and findings were not entered into the Grantee Single Audit Tracking System (GSA).”</p>	

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	<p>During State Fiscal Year 2012, the OFAC satisfied its obligation to eliminate the backlog of desk reviews previously not completed in accordance with our corrective action plans. Concerted efforts were also made to perform reviews of reports received for the current year in a timely manner. However, when our attempts to hire a new staff member fell through on April 13, 2012, current team members were assigned additional responsibilities (i.e. during the award monitoring of subrecipients) within the OFAC. This caused a number of State Fiscal Year 2012 reviews to be completed beyond the 6-month timeframe. Nevertheless, the OFAC has already reviewed approximately 70% of the State Fiscal Year 2013 reports received and is on track to complete all reviews in a timely manner.</p> <p>In regards to the GSA system, the OFAC developed a database query to compare information from the system to our checklists to ensure the requisite data has been entered into the GSA. At least once or twice each quarter, the query results will be exported to an EXCEL spreadsheet and forwarded to team members for follow-up.</p>	<p>Fiscal Year 2012 Updates: Completed</p> <p>Query Procedures: March 31, 2013</p> <p>Lisa McCormick (609) 292-7742</p>
<p>Disability Insurance/SSI Cluster (96.001) State Agency: Department of Labor and Workforce Development Federal Agency: Social Security Administration</p> <p><i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Availability</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-33 No finding in prior year	During State Fiscal Year 2012, the Division of Finance and Accounting had a transition of personnel responsible for the Disability Determination Services program. During this transition, certain documents were not able to be located. However, we were able to document and support the costs through other means. The Division of Finance and Accounting will strengthen its control over the filing of supporting documentation.	<p>March 1, 2013</p> <p>Jerry Calamia (609) 292-1885</p>
<p>Disability Insurance/SSI Cluster (96.001) State Agency: Department of Labor and Workforce Development Federal Agency: Social Security Administration</p> <p><i>Reporting</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-34 No finding in prior year	During State Fiscal Year 2012, the Division of Finance and Accounting had a transition of personnel responsible for the Disability Determination Services program. During this transition, certain reports were not timely filed. Subsequent to this issue, the Division of Finance and Accounting has filed the delinquent 6/30/12 SSA-4513 report. The report was transmitted on 2/27/13. The Division of Finance and Accounting will strengthen its procedures for submission of reports so that they are filed timely.	<p>February 27, 2013</p> <p>Jerry Calamia (609) 292-1885</p>
<p>Unemployment Insurance (17.225) ARRA - Unemployment Insurance (17.225) State Agency: Department of Labor and Workforce Development Office of Information Technology Federal Agency: U.S. Department of Labor</p> <p><i>Other Requirements - Information Technology General Controls</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON

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VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

12-35 11-1	<p>1. <u>Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)</u> <i>Office of Information Technology (OIT) Response:</i></p> <ul style="list-style-type: none"> • A review of the access rights to the Data Centers and Server Rooms will be performed on a periodic basis. • Door is to be repaired and regular facilities inspections conducted to report problems. <p>2. <u>Appropriateness of Access</u> <i>Department of Labor and Workforce Development (LWD) Response:</i></p> <ul style="list-style-type: none"> • (Bullet 1) - LWD agrees that three individuals did appear to have NJLOOPS access, however, their profile was only associated with a NJLOOPS access rule. Their user accounts had been removed from the ACF2 Mainframe. OIT is currently testing software that will review and cleanup the accounts that had been removed from ACF2 Mainframe, but are in other ACF2 access rules. • (Bullet 2) - LWD will work with OIT to develop the best strategy going forward to review these accounts. Also, LWD believes that based on the new process of Human Resources notifying DIT of terminations and transfers, that DIT is current with removing individual's accounts from the Mainframe ACF2. This removal would not allow an individual access to NJLOOPS even though they may still be present in NJLOOPS access rules. Also, based on above response LWD is working with OIT to be able to review and clean up the access rules of users who have been removed from the mainframe ACF2. <p><i>OIT Response:</i></p> <ul style="list-style-type: none"> • (Bullet 3) - The OIT instance concerning dual access rights on the NJLOOPS application will result in the Developer rights portion being discontinued immediately. The Administrator rights will be retained. • (Bullet 4) - Only senior Development personnel have access to Production moves. Development personnel need to retain the ability to do Production moves for responsible 24/7 systems support. Where segregation of duties can be assigned to reduce a single person from performing development and promotion to production, it will be pursued. FY13 unit reorganization due to promotions, for two Project Managers, has increased our ability to comply with the segregation of duties. <p>3. <u>Mainframe Changes</u> <i>OIT Response:</i></p> <p>Mainframe patch changes in the IBM environment are applied once provided by the vendor, IBM. Recommended Service Upgrades (RSU) are issued monthly while the emergency patches named High Persuasion (HIPER) are issued as needed through the IBM ASAP system. e-Mails announce, to the various clients, HIPER patch availability. All patches are applied through this IBM protocol. OIT is willing to continue assuming risk in this operational area. Our reasoning is:</p> <ul style="list-style-type: none"> • Program Temporary Fix (PTF) patches in the RSU are quite voluminous • PTFs are almost exclusively tested by the IBM vendor before issuance (little, if any, by the client after receipt) • All patches are applied regardless • Almost all patches are inconsequential in nature 	<p>Stephen Foundos - OIT (609) 633-8791</p> <ul style="list-style-type: none"> • Ongoing • June 30, 2013 <p>Jerry Calamia - LWD 609-292-1885</p> <ul style="list-style-type: none"> • June 30, 2013 • June 30, 2013 <p>Stephen Foundos - OIT (609) 633-8791</p> <ul style="list-style-type: none"> • Ongoing • June 30, 2013 <p>Stephen Foundos - OIT (609) 633-8791</p> <ul style="list-style-type: none"> • Ongoing
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	<ul style="list-style-type: none"> • The IBM patch protocol, RSU has proven satisfactory for mainframe change • CA Service Center accounts for mainframe change, patches or otherwise <p>4. <u>Change Requests Approval and Testing</u> <i>OIT Response:</i> OIT's Labor Unit has formalized Change Management policy and procedure. The policy includes procedures for evidence retention on behalf of both Testing and Production Environmental changes. OIT's formalized Change Management procedures have included a detailed description of: requests, approvals, Development Method and Integration Testing. All appropriate evidences will be stored in a project tracking system. As stated in FY11 Conditions, LWD's portion of the formalized Change Management process needs to include a detailed procedural description of both Regression Testing and User Acceptance Testing.</p> <p>5. <u>Disaster Recovery</u> <i>LWD Response:</i> LWD and OIT will collaborate on formalizing Disaster Recovery procedures for eventual periodic testing and results evaluation. LWD has begun discussions with OIT to develop a Disaster Recovery plan for NJLOOPS and is seeking assistance from the OIT mainframe manager in indentifying the process that needs to be in the plan. LWD is aware that this is a mission critical process.</p> <p>6. <u>Data Backup procedures and failed backup resolution</u> <i>OIT Response:</i> Formalize backup procedures along with the retention of backup success/failure logs and resolution details are to be documented as policy and procedures. The policy and procedures would be subject to the following:</p> <ul style="list-style-type: none"> • Storage Management back-ups occur on the larger system level not the more detailed application level. • Back up logs are presently maintained up to 90 days, due to storage considerations, making for a system limitation. • System Command Center (SCC) monitors the backup process using their procedure. • CA Service Center accounts for Change Control or Incidents. 	<p>Stephen Foundos - OIT (609) 633-8791</p> <ul style="list-style-type: none"> • August 31, 2013 <p>Jerry Calamia - LWD 609-292-1885</p> <p>DR Plan: October 31, 2013 DR Testing: TBD based on DR Plan Development</p> <p>Stephen Foundos - OIT (609) 633-8791</p> <ul style="list-style-type: none"> • December 31, 2013
<p>Vocational Rehabilitation Cluster (84.126, 84.390) State Agency: Department of Labor and Workforce Development Federal Agency: U.S. Department of Education</p>		
<p><i>Eligibility</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-36 No finding in prior year</p>	<p>In reviewing the complete case file, it was noted that the delay in determining eligibility was based on the lack of current diagnostic information. As soon as the counselor received the necessary information, the case was placed in eligibility status followed by an Individual Plan for Employment to support the plan to provide Job Coaching.</p>	

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	<p><u>Corrective Action Plan</u></p> <ul style="list-style-type: none"> Reinforcement of the Division of Vocational Rehabilitation Services Policy with an expansion of acceptable methods of communication to facilitate the agreement when the 60-day period might not be met. A Technical Assistance Memo (TAM) will prescribe methods for maintaining adherence to the 60-day window. These methods include; securing diagnostic evaluations to establish eligibility if records are not forthcoming, maintaining tighter timelines and milestones to record the progress of each case, and encourage better communication in the case record by opting for a case note as opposed to the current electronic form on the NJ Web-Based Online Rehabilitation Case-Management System (NJWORCS). Revisit the issue through a random case review by 6/30/2013. 	<p>March 15, 2013</p> <p>Jerry Calamia (609) 292-1885</p>
<p>Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Energy</p> <p><i>Reporting</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-37 No finding in prior year</p>	<p>The Department has implemented a quality control review (QCR) process concerning submission of federal reports. Accordingly, federal reports will now be subject to a QCR before submission to the federal funding source.</p>	<p>March 2013</p> <p>Robert J. Bartolone Director of Auditing (609) 984-2698</p>
<p>Capitalization Grants for Clean Water State Revolving Funds (66.458) ARRA - Capitalization Grants for Clean Water State Revolving Funds (66.458) Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) Low-Income Home Energy Assistance (93.568) Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Community Affairs Federal Agency: U.S. Environmental Protection Agency U.S. Department of Energy U.S. Department of Health and Human Services U.S. Department of Homeland Security</p> <p><i>Subrecipient Monitoring</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>12-38 11-56</p>	<p>The Division of Local Government Services (DLGS) will ensure the proper and timely review of all audits by reviewing interim status reports.</p>	<p>March 2013</p> <p>John DeCristofano – DLGS</p>

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	The Department of Community Affairs and DLGS will implement stringent procedures to ensure the timely posting of audit reviews to the Grantee Single Audit Tracking System.	(609) 292-3245 Robert J. Bartolone Director of Auditing (609) 984-2698
Capitalization Grants for Drinking Water State Revolving Funds (66.468) ARRA - Capitalization Grants for Drinking Water State Revolving Funds (66.468) State Agency: Department of Environmental Protection Federal Agency: U.S. Environmental Protection Agency <i>Subrecipient Monitoring and Special Tests and Provisions – ARRA Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-39 11-50	The Municipal Finance and Construction Element will continue to notify subrecipients of projects financed with Recovery Act funds of the Federal award information (<i>i.e. CFDA title and number; award name and number; and name of Federal awarding agency</i>) with each disbursement. This information has now been added to the standard approval letter for the last remaining ARRA subrecipient so that it will be included with all future disbursement approvals to this entity under ARRA.	March 2013 Eugene Chebra (609) 292-8961
Medicaid Cluster (93.775, 93.777, 93.778) State Agencies: Department of Human Services Federal Agency: U.S. Department of Health and Human Services <i>Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-40 No finding in prior year	The Division concurs with this finding. Molina will be outreaching the provider to obtain a signed agreement. Molina has been instructed to strengthen their training procedures for new employees relating to provider enrollment. The Division will monitor Molina's training procedures.	April 2013 Joe Cicatiello (609) 588-2905
Children's Health Insurance Program (93.767) State Agencies: Department of Human Services Federal Agency: U.S. Department of Health and Human Services <i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Eligibility</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-41 11-3 10-2	The Division concurs with this finding. Xerox produces a weekly control report of cases where the last completed renewal was more than 12 months in the past, and no future renewal date has been set. The Division will strengthen its monitoring of Xerox's review of this report to ensure that all identified cases are promptly and appropriately resolved. In addition, Xerox will implement a systemic Task/Workflow enhancement that will flag any case where the renewal process has been	April 2013

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	initiated but not completed due to missing information (MI). Upon receipt of any documentation received on a case in MI status, the case will be systemically flagged for a final decision by the eligibility worker. All such flagged cases will be advanced to the top of the eligibility worker's queue the following workday and no additional cases will be presented to the worker's queue for processing until the renewal is either completed (with an eligibility decision) or the renewal clock is reset. This enhancement will prevent recurrence of the kinds of Processor errors that led to the current finding.	May 2013 Richard Headen (609) 584-2968
TANF Cluster (93.558, 93.714) State Agencies: Department of Human Services Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
<i>Suspension and Debarment and Subrecipient Monitoring</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-42 No finding in prior year	<p>The Division of Family Development (DFD) concurs with this finding.</p> <p>DFD will notify the Department of Children and Families (DCF), and other recipient State agencies, of its subrecipient grant monitoring requirements and request fulfillment of the following corrective actions prior to June 30, 2013:</p> <ol style="list-style-type: none"> 1. Verification that all current subrecipients are not suspended or debarred; 2. Provide all current subrecipients with the required Federal award information; 3. Develop and submit a sub-recipient monitoring plan. <p>In addition, DFD will annually provide this information and reminders to DCF and all subrecipient State agencies.</p>	<p>July 1, 2013</p> <p>Yvonne Tierney (609) 588-2074</p>
TANF Cluster (93.558, 93.714) State Agencies: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-43 11-6	<p>The Division of Family Development (DFD) is in the process of implementing a Document Imaging Management System (DIMS) within the 21 County Welfare Agencies (CWAs). Three pilot counties are scheduled to begin in April, with all 21 CWAs implemented by October 2013. The implementation of this new system will ensure maintenance and easy accessibility of WFNJ/TANF applications and recertification applications as well as all other required documentation including but not limited to birth certificates, social security cards, income documentation such as paystubs, award letters, and citizenship documentation. The Division is also anticipating the implementation of a new statewide computer system that is known as the Consolidated Assistance Support System (CASS) beginning in the fall of 2013, with full statewide implementation expected to be completed by the summer of 2014. The CASS System will not permit the continuation of cash assistance benefits unless a redetermination is completed and the system determines that continued eligibility exists based upon the evidence entered into CASS.</p> <p>In the interim the DFD Office of County Operations field representatives will:</p>	<p><u>Responsible Officials:</u> Joe Maag – (609) 588-2160 Jean Turner – (609) 588-7917 Natasha Johnson – (609) 588-2409</p> <p><u>Anticipated Completion Dates:</u> Implementation of monthly report review – April 1, 2013</p>

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	<ul style="list-style-type: none"> Review monthly reports from our current computer system (FAMIS) to identify cases overdue for redetermination; Follow-up with the corresponding county or counties to ensure that assistance is discontinued until a redetermination is completed and on-going eligibility can be determined. 	<p>Completion of the first review/follow-up cycle – June 1, 2013</p> <p>Note: Review/follow-up cycle will continue on a monthly basis.</p>
<p>TANF Cluster (93.558, 93.714) CCDF Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Suspension and Debarment, Subrecipient Monitoring, and Special Tests and Provisions</i></p>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-44 11-8 10-5	<p>The Division of Family Development (DFD) concurs with this finding.</p> <ul style="list-style-type: none"> Due to the pending implementation of the eChildCare (eCC) system on January 1, 2012, the Center-Based Child Care Agency (CBC) contracts were terminated in three phases beginning April 2011 with final termination of all contracts by December 2011. The final closeout procedures for all former CBC contracts were processed with no issues. Since the EPLS system can only indicate the current status of an agency, DFD instituted the suspension and debarment review on the EPLS beginning with the Fiscal Year 2012 Child Care Resource and Referral Agency (CCR&R) contracts in Spring 2012 and for all contracts renewed as of July 1, 2012. <p>DFD concurs with this finding.</p> <ul style="list-style-type: none"> ARRA funding was terminated as of September 30, 2011. DFD provides ARRA and other funding information to independent auditors and provider agencies as requested. <p>DFD concurs with this finding.</p> <ul style="list-style-type: none"> As the finding relates to CCR&R contracts, DFD notified each CCR&R agency in April 2012 of the required Federal award information. For all contracts awarded as of July 1, 2012, the Federal award information is included in the contract award notice. 	<p>July 1, 2012</p> <p>Ongoing</p> <p>July 1, 2012</p> <p>Yvonne Tierney (609) 588-2074</p>
<p>CCDF Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring and Special Tests and Provisions</i></p>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-45 11-10 10-7 09-8 08-4 07-7	<p>In State Fiscal Year 2012, the Department increased Child Care Resource and Referral Agency (CCR&R) monitoring to include an increased number of on-site visits as well as desk audit reviews. Current policies require the CCR&Rs to maintain and update provider files, which include the actual copy of the Health and Safety License. To strengthen the review of document verification, a new monitoring tool was created which includes verification of a current and valid license.</p> <p>The updated audits, including the use of this new monitoring tool, began in February 2013.</p>	<p>February 2013</p> <p>Margaret Milliner (609) 588-2163</p>

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Child Support Enforcement (93.563) ARRA - Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-46 11-9 10-6 09-7 08-2 07-5 06-1 05-7 04-18 03-7 02-6 01-6 00-30	<p>On November 13, 2012, the State Disbursement Unit (SDU), known as the New Jersey Family Support Services Center (NJFSSC), was fully privatized. The contractor is responsible for all collections, deposits, disbursements and reconciliation of child support collections. Since the banking and cash management functions are now being performed by the fully privatized SDU, the reconciliation between the Child Support Bank Account and OCSE-34A Report is complete.</p> <p>The Office of Child Support Services has direct oversight over NJFSSC through a multi-year contract. The corrective measure for this finding is to contract with the NJFSSC for all collections, disbursements and reconciliations of collections.</p> <p>Uniform business rules and standard operating procedures were created and are maintained to ensure daily reconciliations are being performed by NJFSSC and the Division of Family Development fiscal unit. Since November 13, 2012, all daily transactions including collections, disbursements, wire transfers and cash payments have been in balance.</p>	<p>November 13, 2012</p> <p>Shammi Bhatia - DFD Fiscal (609) 588-2045</p> <p>Alisha Griffin, Assistant Director (609) 584-5094</p> <p>Patricia A. Risch, Manager (609) 631-2755</p> <p>Program Compliance Unit Office of Child Support Services</p>
TANF Cluster (93.558, 93.714) Child Support Enforcement (93.563) CCDF Cluster (93.575, 93.596) Children’s Health Insurance Program (93.767) Medicaid Cluster (93.775, 93.777, 93.778) State Agencies: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-47 No finding in prior year	<p>The Department concurs with this finding.</p> <p>The Federal Funding Accountability and Transparency Act (FFATA) requires that recipients of grants who make first-tier sub-awards equal to or exceeding \$25,000 report these sub-awards in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS). The FFATA also requires that the Federal Assistance Identification Number (FAIN) should appear on the prime award document. This number is needed to access the grant award information within FSRS to list all first-tier sub-awards equal to or exceeding \$25,000. The prime award documents for the above grants pertaining to Division of Family Development (DFD) do not contain a FAIN number for fiscal year 2102.</p> <p>The DFD has contacted the applicable federal grant award officers for TANF, Child Care and Child Support to request the required FAIN numbers needed for the FSRS online reporting system.</p>	<p>Within 2 months of receipt of the required FAIN information.</p> <p>Shammi Bhatia – DFD Fiscal (609) 588-2045</p>

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	The Division of Medical Assistance and Health Services (DMAHS) will work with the Department to develop procedures to ensure that the reporting requirements of FFATA are met.	June 2013 Richard Hurd - DMAHS (609) 588-2550
Block Grants for Prevention and Treatment of Substance Abuse (93.959) State Agencies: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Special Tests and Provisions Independent Peer Reviews</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-48 No finding in prior year	<p>The Division of Mental Health and Addiction Services (DMHAS) Treatment Monitoring Unit was utilizing an incomplete list of agencies receiving Block Grant funding to determine selection group for Peer Review.</p> <p>Going forward the DMHAS Fiscal Unit will institute the following processes and internal controls:</p> <ul style="list-style-type: none"> • DMHAS Fiscal Unit Account Supervisor will generate a complete list of treatment agencies receiving Block Grant Funding and forward list to the DMHAS Fiscal Unit Spending Plan Developer. • Spending Plan Developer will review list for accuracy and completeness and then forward list to DMHAS Treatment Monitoring Unit Supervisor if no errors/omissions are identified. If any errors/omissions are noted, Spending Plan Developer will discuss with Account Supervisor and make all warranted revisions before forwarding to Treatment Monitoring Unit Supervisor. • Treatment Monitoring Unit Supervisor will review list for accuracy and completeness in conjunction with Peer Review Coordinator by comparing current list with previous year's list. If any discrepancies are noted, Treatment Monitoring Unit Supervisor will contact Spending Plan Developer to discuss and revise list if warranted before finalizing Peer Review agency list. 	March 13, 2013 Mian Shi (609) 292-0747
Vocational Rehabilitation Cluster (84.126, 84.390) State Agencies: Department of Human Services Federal Agency: U.S. Department of Education		
<i>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-49 11-11 10-10 09-6 08-7	The Cost Allocation Plan (CAP) for the quarter ending 12/31/11 was completed on 2/28/13. The CAP for the quarters ending 3/31/12 and 6/30/12 will be completed by 4/30/13. The Commission hired an Auditor Accountant Trainee to help with the filing of State and Federal reports and help improve internal controls. By next year, the backlog of reports should be completed and CAPs will be filed timely.	April 30, 2013 Frank Scheick (973) 648-3126
Vocational Rehabilitation Cluster (84.126, 84.390) State Agencies: Department of Human Services Federal Agency: U.S. Department of Education		
<i>Reporting</i>		

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12-50 No finding in prior year	The correct amount of program income on the Federal financial report (SF-425) was corrected on the next submission. Before submission of the FSR-425 to the Rehabilitative Services Administration (RSA), the Administrative Analyst who enters the information into the RSA-MIS website will verify all data being submitted.	Report Submission: March 31, 2012 Verification Process: March 31, 2013 Frank Scheick (973) 648-3126
SNAP Cluster (10.551, 10.561) TANF Cluster (93.558, 93.714) State Agencies: Office of Information Technology Department of Human Services Federal Agency: U.S. Department of Agriculture U.S. Department of Health and Human Services		
<i>Other Requirement – Information Technology General Controls</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
12-51 11-15 10-12 09-10 08-44 07-8	<p>1. <i>Access to the Data Center at HUB and OARS</i></p> <p>Access within OIT Data Centers is assessed as too liberal.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • As the Office of Information Technology (OIT) continues to be a multi-departmental IT hosting site, a review of the access rights to the Data Centers and Server Rooms will continue to be performed on a periodic basis. Access rights verification will be retained. • A Request for Proposal (RFP) has been issued for a new off-site operations print vendor. Due to government transparency requirements the RFP continues to be reviewed. Once awarded in-house print operations will cease to accommodate an interdepartmental IT consolidation at the HUB. <p>2. <i>Accountability for access</i></p> <p>Shared accounts are evaluated as deterring individual accountability.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • Shared accounts procedures for their review and monitoring, by an independent party, along with documentation of such access rights are to be formalized. <p>3. <i>Disaster Recovery</i></p> <p>A FAMIS Disaster Recovery Test did not occur in FY 2012 and a FAMIS Disaster Recovery Plan is not in place.</p>	<p>Stephen Foundos: OIT (609) 633-8791</p> <p>On Going</p> <p>December 31, 2013</p> <p>Stephen Foundos: OIT (609) 633-8791</p> <p>September 30, 2013</p>

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	<p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> OIT and DHS/DFD do not plan to perform a Disaster Recovery Test on FAMIS as resources and time do not permit this effort because of the ongoing development of the Consolidated Assistance Support System (CASS). Once the development and implementation of the CASS concludes resources will be directed to CASS Disaster Recovery. A FAMIS Disaster Recovery Plan is now in place and will be annually certified by OIT's Business Continuity and Disaster Recovery Unit. <p>4. <i>Appropriateness of Access</i></p> <ul style="list-style-type: none"> We recommend that there be segregation of duties in accounts where the same individuals do not have Supervisor as well as Case Worker Level access. <p><u>DHS – Division of Family Development (DFD) Response:</u></p> <p>DFD discussed this issue with the County Welfare Agency (CWA) Security Administrators at the March 2012 Document Control Unit (DCU) meeting and in May 2012 provided the CWA Security Administrators with a listing of any users who still had both Case Worker (UPD) and Supervisor (SUP) level access for FAMIS in FAMIS or UAP.</p> <p>DFD advised the CWA Security Administrators to review the listing and correct any instance of the dual access. Each CWA effected notified the DFD Helpdesk that they had corrected the issue, removing either UPD or SUP from all users who had both.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> During the FY2012 audit, KPMG inquired about one user in Salem CWA who had UPD and SUP access rights. DFD contacted Salem immediately and they corrected that situation. In addition, this issue will be discussed annually at one of the monthly DCU meetings and the security administrators will be provided with a listing, if applicable, of any staff with UPD and SUP access. 	<p>Patrick DeMarco: DHS-DFD (609) 588-3968</p> <p>Indeterminate</p> <p>Stephen Foundos: OIT (609) 633-8791</p> <p>June 30, 2013</p> <p>Susan Brown: DHS-DFD (609) 588-2929</p> <p>March 1, 2013</p> <p>June 30, 2013</p>
<p>Supplemental Nutrition Assistance Program Cluster (10.551, 10.561) Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) Child and Adult Food Care Program (10.558) Section 8 Housing Choice Vouchers (14.871, 14.879) WIA Cluster (17.258, 17.259, 17.278) Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) TANF Cluster (93.558, 93.714) Child Support Enforcement (93.563) ARRA – Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568)</p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2012
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<p>CCDF Cluster (93.575, 93.596) Social Services Block Grant (93.667) Medicaid Cluster (93.775, 93.777, 93.778) State Agencies: Department of Human Services Federal Agency: U.S. Department of Agriculture U.S. Department of Housing and Urban Development U.S. Department of Labor U.S. Department of Energy U.S. Department of Health and Human Services</p>		
<p><i>Subrecipient Monitoring and Special Tests and Provisions</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>12-52 No finding in prior year</p>	<p>The Office of Auditing (OOA) will revise its standard desk review guide to identify ARRA funds listed separately on the Schedule of Expenditure of Federal Awards. Additionally, OOA will develop internal written procedures to document the timely and accurate updating of the Grantee Single Audit Tracking System (GSA).</p>	<p>April 1, 2013 Mark Talbot (609) 984-5540</p>

¹ Current and prior year finding number(s)