

**STATE OF NEW JERSEY**

**SINGLE AUDIT REPORT**

**YEAR ENDED JUNE 30, 2019**

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

**Independent Auditors' Report on Compliance  
for Each Major Federal Program and Report on  
Internal Control Over Compliance  
Required by the Uniform Guidance**

**STATE OF NEW JERSEY  
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## INDEPENDENT AUDITORS' REPORT

The Governor  
State of New Jersey

### **Report on the Schedule of Expenditures of Federal Awards**

We have audited the accompanying Schedule of Expenditures of Federal Awards (the Schedule) of the State of New Jersey for the year ended June 30, 2019, and related notes.

### ***Management's Responsibility for the Schedule of Expenditures of Federal Awards Programs***

Management is responsible for the preparation and fair presentation of this Schedule in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedule. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedule, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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***Opinion***

In our opinion, the schedule 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, 2019, in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 31, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

The Governor  
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**Report on Compliance for Each Major Federal Program**

We have audited the State of New Jersey's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the major Federal programs for the year ended June 30, 2019. The State's major Federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to the Federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major Federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 major Federal programs and 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 on compliance for the State's major Federal programs. However, our audit does not provide a legal determination of the State's compliance.

***Basis for Qualified Opinion***

As described in the accompanying schedule of findings and questioned costs, the State's major Federal program did not comply with requirements regarding CFDA 14.856 – Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation as described in 2019-003 (eligibility) and 2019-004 (special reporting – HUD 50058). Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to the programs.

***Qualified Opinion on Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 14.856 – Lower Income Housing Assistance Program- Section 8 Moderate Rehabilitation for the year ended June 30, 2019.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-001, 2019-002, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015 and 2019-016. Our opinion on each major program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

***Report on Internal Control Over Compliance***

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance 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 a reasonable

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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 2019-003 and 2019-004 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 2019-001, 2019-002, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015 and 2019-016 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
March 31, 2020

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>			
Plant and Animal Disease, Pest Control, and Animal Care.	10.025	\$ 1,173,637	\$ -
Specialty Crop Block Grant Program-Farm Bill	10.170	703,508	377,188
Organic Certification Cost Share Programs	10.171	26,256	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	269,507	269,507
Homeland Security - Agricultural	10.304	92,700	-
State Mediation Grants	10.435	13,903	-
Crop Insurance Education in Targeted States	10.458	178,252	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	55,542	-
Child Nutrition- Technology Innovation Grant	10.541	29,328	-
<i>Supplemental Nutrition Assistance Program (SNAP) Cluster</i>			
Supplemental Nutrition Assistance Program (non-monetary)	10.551	\$ 993,474,622	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	162,430,424	141,048,656
<i>Total Supplemental Nutrition Assistance Program (SNAP) Cluster</i>		<u>1,155,905,046</u>	<u>141,048,656</u>
<i>Child Nutrition Cluster</i>			
School Breakfast Program (SBP)	10.553	100,571,566	100,571,566
National School Lunch Program (NSLP)	10.555	271,017,362	271,017,362
Special Milk Program for Children (SMP)	10.556	219,888	219,888
Summer Food Service Program for Children (SFSPC)	10.559	13,095,702	12,573,355
<i>Total Child Nutrition Cluster</i>		<u>384,904,518</u>	<u>384,382,171</u>
Special Supplemental Nutrition Program for Women, Infants & Children	10.557	130,066,152	29,063,242
Child and Adult Care Food Program	10.558	95,595,220	94,061,599
State Administrative Expenses for Child Nutrition	10.560	7,593,381	-
<i>Food Distribution Cluster</i>			
Commodity Supplemental Food Program	10.565	518,958	513,732
Emergency Food Assistance Program (Administrative Costs)	10.568	2,632,929	1,760,438
Emergency Food Assistance Program (Commodities)	10.569	17,343,031	-
<i>Total Food Distribution Cluster</i>		<u>20,494,918</u>	<u>2,274,170</u>
WIC Farmers' Market Nutrition Program (FMNP)	10.572	657,599	(21)
Farm to School Grant Program	10.575	26,956	17,928
Senior Farmers' Market Nutrition Program	10.576	889,150	27,980
WIC Grants to States (WGS)	10.578	4,410,649	69,717
Child Nutrition Discretionary Grants Limited Availability	10.579	889,973	531,432
Fresh Fruit and Vegetable Program	10.582	4,196,292	4,125,153
Cooperative Forestry Assistance	10.664	901,033	209,816
Forest Legacy Program	10.676	7,928	-
Forest Health Protection	10.680	145,437	-
State & Private Forestry Cooperative Fire Assistance	10.698	44,171	-
Partnership Agreements	10.699	33,746	-
<b>Total U.S. Department of Agriculture</b>		<u><b>1,809,304,802</b></u>	<u><b>656,458,538</b></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards



**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Commerce</b>			
Interjurisdictional Fisheries Act of 1986	11.407	\$ 97,336	\$ -
Coastal Zone Management Administration Awards	11.419	3,127,485	-
Cooperative Fishery Statistics	11.434	260,677	-
Regional Fishery Management Councils	11.441	681,691	-
Unallied Science Program	11.472	86,244	-
Office for Coastal Management	11.473	363,817	-
Atlantica Coastal Fisheries Cooperative Management Act.	11.474	237,360	-
State And Local Implementation Grant Program	11.549	542,503	-
Measurement And Engineering Research And Standards	11.609	686,933	616,688
<b>Total U.S. Department of Commerce</b>		<b>6,084,046</b>	<b>616,688</b>
<b>U.S. Department of Defense</b>			
National Guard Military Operations & Maintenance (O&M) Projects	12.401	28,251,405	-
National Guard Challenge Program	12.404	2,469,000	-
Unassigned Catalog Numbers From Federal Government	12.UNA	31,186	-
<b>Total U.S. Department of Defense</b>		<b>30,751,591</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/State's Program	14.228	4,786,818	4,546,176
Emergency Shelter Grants Program	14.231	2,638,280	2,483,778
Supportive Housing Program	14.235	752,518	-
Home Investment Partnerships Program	14.239	2,382,926	987,320
Housing Opportunities for Persons With Aids	14.241	1,206,632	-
Continuum of Care Program	14.267	1,942,727	-
<i>CDBG-Disaster Recovery Grants-Pub. L. No, 113-2 Cluster:</i>			
Hurricane Sandy CDBG Disaster Recovery Grants (CDBG-DR)	14.269	\$ 314,873,778	247,068,311
National Disaster Resilience Competition	14.272	1,347,995	-
Housing Trust Fund	14.275	2,167,272	2,071,095
<i>Total CDBG-Disaster Recovery Grants-Pub. L. No, 113-2 Cluster</i>		<b>318,389,045</b>	<b>249,139,406</b>
Fair Housing Assistance Program - State and Local	14.401	578,458	-
<i>Section 8 Project-Based Cluster:</i>			
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	3,778,717	-
<i>Total Section 8 Project-Based Cluster</i>		<b>3,778,717</b>	<b>-</b>
<i>Housing Voucher Cluster:</i>			
Section 8 Housing Choice Vouchers	14.871	256,860,571	391,522
Mainstream Vouchers	14.879	486,560	-
<i>Total Housing Voucher Cluster</i>		<b>257,347,131</b>	<b>391,522</b>
Family Self-Sufficiency Program	14.896	37,785	-
<b>Total U.S. Department of Housing and Urban Development</b>		<b>593,841,037</b>	<b>257,548,202</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of the Interior</b>			
Marine Minerals Activities - Hurricane Sandy DR4086	15.424	\$ 361,076	\$ -
<i>Fish and Wildlife Cluster</i>			
Sport Fish Restoration Program	15.605	\$ 2,170,052	-
Wildlife Restoration and Basic Hunter Education	15.611	5,654,493	5,645
<i>Total Fish and Wildlife Cluster</i>		<u>7,824,545</u>	
Cooperative Endangered Species Conservation Fund	15.615	28,447	-
Clean Vessel Act	15.616	276,781	132,362
State Wildlife Grants	15.634	1,287,118	21,368
Highlands Conservation	15.667	344,808	-
National Cooperative Geologic Mapping	15.810	138,774	-
National Geological & Geophysical Data Preservation Program	15.814	5,000	-
Historic Preservation Fund Grants-In-Aid	15.904	110,202	109,625
Outdoor Recreation-Acquisition Development And Planning	15.916	2,354,763	-
Historic Preservation Fund Grants to Provide Disaster Relief to Historic Properties Damaged by Hurricane Sandy	15.957	1,441,576	565,857
National Ground-Water Monitoring Network	15.980	9,660	-
<b>Total U.S. Department of the Interior</b>		<u><b>14,182,750</b></u>	<u><b>834,857</b></u>
<b>U.S. Department of Justice</b>			
Sexual Assault Services Formula Program	16.017	398,637	398,637
Equal Employment Opportunity	16.101	297,392	-
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	676,835	555,785
Missing Children's Assistance	16.543	360,231	-
National Criminal History Improvement Program	16.554	733,942	-
Crime Victim Assistance	16.575	41,705,031	38,522,230
Crime Victim Compensation	16.576	6,256,916	2,200,974
Crime Victim Assistance/Discretionary Grants	16.582	206,036	206,036
Drug Court Discretionary Grant	16.585	324,720	187,682
Violence Against Women Formula Grants	16.588	3,805,554	3,265,822
Grants To Encourage Arrest Policies & Enforcement of Protection Orders	16.590	162,979	120,966
Residential Substance Abuse Treatment for State Prisoners	16.593	151,791	90,198
State Criminal Alien Assistance Program (SCAAP)	16.606	2,063,823	-
Public Safety Partnership & Community Policing (Cops Grant)	16.710	1,098,744	-
Special Data Collections And Statistical Studies	16.734	775,315	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,430,814	1,799,823
DNA Backlog Reduction Program	16.741	791,388	8,094
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	335,714	28,240
Edward Byrne Memorial Competitive Grant Program	16.751	203,234	-
Economic High-Tech And Cyber Crime Prevention	16.752	123,254	-
Harold Rogers Prescription Drug Monitoring Program	16.754	1,167,592	40,768
Second Chance Act Prisoner Reentry Initiative	16.812	417,592	278,608
NICS Act Record Improvement Program	16.813	313,929	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Justice (continued)</b>			
John R. Justice Prosecutors and Defenders Incentive Act	16.816	\$ 49,290	\$ -
Children of Incarcerated Parents	16.831	1,769	-
STOP School Violence	16.839	7,113	-
Contractual Agreements From Federal Government	16.CON	50,000	-
<b>Total U.S. Department of Justice</b>		<b>65,909,635</b>	<b>47,703,863</b>
<b>U.S. Department of Labor</b>			
Labor Force Statistics	17.002	2,014,034	-
Compensation and Working Conditions	17.005	347,193	-
<i>Employment Services Cluster</i>			
Employment Service / Wagner-Peyser Funded Activities	17.207	\$ 18,511,139	-
Disabled Veterans' Outreach Program (DVOP)	17.801	3,130,846	-
Local Veteran's Employment Representative Program	17.804	970,774	-
<i>Total Employment Services Cluster</i>		<u>22,612,759</u>	
Unemployment Insurance - State	17.225	1,905,623,420	-
Unemployment Insurance - Federal	17.225	111,359,204	-
<i>Total Unemployment Insurance</i>		<u>2,016,982,624</u>	
Senior Community Service Employment Program	17.235	1,464,155	-
Trade Adjustment Assistance	17.245	4,580,868	2,057,591
<i>Workforce Investment Act (WIA/WIOA) Cluster</i>			
WIA/WIOA Adult Program	17.258	26,475,386	20,817,477
WIA/WIOA Youth Activities	17.259	22,268,023	22,268,023
WIA/WIOA Dislocated Worker Formula Grants	17.278	30,725,246	21,850,669
<i>Total Workforce Investment Act (WIA/WIOA) Cluster</i>		<u>79,468,655</u>	<u>64,936,169</u>
WIOA Employment, Training Admin. Pilots, Demos, & Research Projects	17.261	225,275	225,275
Work Opportunity Tax Credit Program	17.271	495,496	-
Temporary Labor Certification for Foreign Workers	17.273	600,390	-
Apprenticeship USA Grants	17.285	36,899	36,582
Occupational Safety & Health State Program	17.503	2,169,110	-
Consultation Agreements	17.504	2,168,312	-
Mine Health and Safety Grants	17.600	105,647	-
<b>Total U.S. Department of Labor</b>		<b>2,133,271,417</b>	<b>67,255,617</b>
<b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106	316,420	-
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	879,530,376	278,110,594
Recreational Trails Program	20.219	682,769	366,772
<i>Total Highway Planning and Construction Cluster</i>		<u>880,213,145</u>	
National Motor Carrier Safety	20.218	6,638,899	-
Commercial Driver's License Program Improvement Grant	20.232	1,462,830	-
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	353,155	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Transportation (continued)</b>			
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	\$ 52,686	\$ -
Rail Fixed Guideway Public Transportation System State Safety	20.528	498,901	-
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	\$ 7,477,184	4,372,832
National Priority Safety Programs	20.616	7,996,907	5,205,491
<i>Total Highway Safety Cluster</i>		<u>15,474,091</u>	<u>9,578,323</u>
Pipeline Safety Program State Base Grants	20.700	49,014	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	378,102	155,207
State Damage Prevention Program Grants	20.720	59,727	-
Contractual Agreements	20.CON	217,439	-
<b>Total U.S. Department of Transportation</b>		<u><b>905,714,409</b></u>	<u><b>288,210,896</b></u>
<b>National Foundation on the Arts and the Humanities:</b>			
Promotion of the Arts - Partnership Agreements	45.025	839,578	488,450
Museums for America	45.301	(6,532)	-
<b>Total National Foundation on the Arts and the Humanities</b>		<u><b>833,046</b></u>	<u><b>488,450</b></u>
<b>Small Business Administration</b>			
State Trade and Export Promotion Pilot Grant Program	59.061	514,476	514,476
<b>Total Small Business Administration</b>		<u><b>514,476</b></u>	<u><b>514,476</b></u>
<b>Department of Veterans Affairs</b>			
Unassigned Catalog Numbers From Federal Government	64.UNA	560,544	560,474
Veterans Medical Care Benefits	64.009	17,394	17,394
Veterans State Nursing Home Care	64.015	37,679,865	-
Burial Expenses Allowance for Veterans	64.101	997,572	-
Vocational and Educational Counseling for Service members and Veterans	64.125	495,124	-
<b>Total U.S. Department of Veterans Affairs</b>		<u><b>39,750,499</b></u>	<u><b>577,868</b></u>
<b>U.S. Environmental Protection Agency</b>			
Surveys Studies, Investigations Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	726,777	-
State Clean Diesel Grant Program	66.040	74,303	74,303
Water Quality Management Planning	66.454	510,162	63,679
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	57,540,546	53,909,629
Hurricane Sandy Capitalization Grants For Drinking Water State Revolving Funds	66.482	13,752,951	13,491,025
<i>Total Clean Water State Revolving Fund Cluster</i>		<u>71,293,497</u>	<u>67,400,654</u>
Wetland Program Development Grants	66.461	230,129	-
<i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	6,086,563	2,731,036
Hurricane Sandy Capitalization Grants For Drinking Water State Revolving Funds	66.483	3,134,963	2,950,813
<i>Total Drinking Water State Revolving Fund Cluster</i>		<u>9,221,526</u>	<u>5,681,849</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Environmental Protection Agency (continued)</b>			
Beach Monitoring and Notification Program Implementation Grants	66.472	\$ 250,498	\$ 250,498
Performance Partnership Grants	66.605	9,177,887	-
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	144,096	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	410,856	-
Pollution Prevention Grants Program	66.708	2,302	-
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	1,201,739	-
Underground Storage Tank Prevention, Detect & Compl Prog	66.804	428,900	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,334,171	-
State and Tribal Response Program Grants	66.817	682,735	-
<b>Total U.S. Environmental Protection Agency</b>		<b>95,689,578</b>	<b>73,470,983</b>
<b>U.S. Department of Energy</b>			
State Energy Program	81.041	1,700,904	864,250
Weatherization Assistance for Low -Income Persons	81.042	5,025,939	4,142,451
Administration Costs Consolidations	81.ADM	1,467,699	-
<b>Total U.S. Department of Energy</b>		<b>8,194,542</b>	<b>5,006,701</b>
<b>U.S. Department of Education</b>			
Adult Education - Basic Grants to States	84.002	16,059,727	13,995,783
Title I Grants to Local Educational Agencies	84.010	353,649,324	349,608,084
Migrant Education - State Grant Program	84.011	1,540,489	1,414,654
Title I State Agency Program for Neglected and Delinquent Children	84.013	1,628,727	765,391
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States (IDEA, Part B)	84.027	\$ 373,744,036	352,540,467
Special Education - Preschool Grants (IDEA Preschool)	84.173	11,082,026	11,012,973
<i>Total Special Education Cluster</i>		<b>384,826,062</b>	<b>363,553,440</b>
Federal Family Education Loans	84.032	1,488,578,231	-
Career and Technical Education -- Basic Grants to States	84.048	25,202,812	22,495,365
Vocational Education Leadership Development Awards Program	84.054	22,218	-
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	56,415,838	(12,602,559)
Migrant Education Coordination Program	84.144	20,990	-
Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	84.177	1,026,414	1,026,414
Special Education - Grants for Infants and Families with Disabilities	84.181	10,526,284	7,683,105
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	520,607	(385,992)
Education for Homeless Children and Youth	84.196	1,751,483	1,530,896
Twenty-First Century Community Learning Centers	84.287	26,383,355	25,322,762
Special Education-State Personnel Development	84.323	635,235	13,631

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Education (continued)</b>			
Gaining Early Awareness & Readiness for Undergraduate Programs	84.334	\$ 453,003	\$ 312,682
Teacher Quality Partnership Grants	84.336	8,449	-
Rural Education	84.358	17,032	15,592
English Language Acquisition State Grants	84.365	19,176,984	18,309,814
Mathematics and Science Partnerships	84.366	495,679	495,679
Improving Teacher Quality State Grants	84.367	47,722,552	46,067,729
Grants for State Assessments and Related Activities	84.369	8,451,798	-
School Improvement Grants	84.377	10,238,648	9,631,736
Race to the Top -- Early Learning Challenge	84.412	11,252,009	6,025,645
Preschool Development Grants	84.419	19,120,783	18,259,893
Student Support And Academic Enrichment Program	84.424	14,770,012	14,654,080
Hurricane Education Recovery	84.938	10,577,125	10,577,125
Contractual Agreements - National Center Educational Statistics	84.CON	197,353	-
Administration Costs Consolidations	84.ADM	3,993,998	-
<b>Total U.S. Department of Education</b>		<b>2,515,263,221</b>	<b>898,770,949</b>
<b>U.S. Election Assistance Commission</b>			
Help America Vote Act Requirements Payments	90.401	23,955	-
2018 HAVA Election Security Grants	90.404	321,361	-
<b>Total U.S. Election Assistance Commission</b>		<b>345,316</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>			
Special Programs for the Aging-Title VII, Chapter 3-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	199,035	-
Special Programs for the Aging-Title VII, Chapter 2-Long Term Care Ombudsman Services for Older Individuals	93.042	497,298	-
Special Programs for the Aging-Title III, Part D-Disease Prevention and Health Promotion Services	93.043	657,069	657,069
<i>Aging Cluster</i>			
Special Programs for the Aging-Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	\$ 9,728,508	9,728,508
Special Programs for the Aging-Title III, Part C-Nutrition Services	93.045	18,582,290	17,217,555
Nutrition Services Incentive Program	93.053	3,282,743	3,282,743
<i>Total Aging Cluster</i>		<b>31,593,541</b>	<b>30,228,806</b>
National Family Caregiver Support - Title III, Part E	93.052	4,819,899	4,700,218
Public Health Emergency Preparedness	93.069	6,755,781	3,734,927
Environmental Public Health & Emergency Response	93.070	1,233,046	-
Medicare Enrollment Assistance Program	93.071	636,979	514,924
Birth Defect & Developmental Disability - Prevention/Surveillance	93.073	286,736	32,758
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	7,584,698	3,067,981
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	94,838	-
Guardianship Assistance	93.090	5,195,259	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1,393,378	1,109,749

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
HHS Programs for Disaster Relief			
Appropriations Act - Non Construction	93.095	\$ 76,988	\$ 76,988
Food and Drug Administration - Research	93.103	1,283,884	180,000
Comprehensive Community Mental Health Services for			
Children with Serious Emotional Disturbances (SED)	93.104	2,362,287	1,942,342
Maternal and Child Health Federal Consolidated Programs	93.110	707,779	586,034
Project Grants and Cooperative Agreements for			
Tuberculosis Control Programs	93.116	1,928,138	1,073,821
Emergency Medical Services for Children	93.127	172,909	59,622
Cooperative Agreements to States/Territories for the Coordination			
and Development of Primary Care Offices	93.130	202,914	7,183
Injury Prevention and Control Research and			
State and Community Based Programs	93.136	3,178,386	1,026,428
NIHES Hazardous Waste Worker Health and Safety Training	93.142	100,609	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,165,521	2,052,571
Coordinated Services & Access to Research			
for Women, Infants, Children, & Youth.	93.153	2,231,983	2,013,910
Grants to States for Loan Repayment Program	93.165	318,010	-
Childhood Lead Poisoning Prevention Projects, State and Local			
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	354,785	-
Title V State Sexual Risk Avoidance Education Program	93.235	1,071,723	853,477
Grants to States to Support Oral Health Workforce Activities	93.236	102	-
State Capacity Building	93.240	645,653	-
Substance abuse and Mental Health services Projects of			
Regional and National Significance	93.243	4,428,315	3,044,385
Universal New born Hearing Screening	93.251	198,615	153,064
Occupational Safety and Health Program	93.262	137,859	-
Immunization Cooperative Agreements (non-monetary)	93.268	\$ 89,630,732	-
Immunization Cooperative Agreements	93.268	6,755,239	1,498,027
<i>Total Immunization Cooperative Agreements</i>		96,385,971	1,498,027
Adult Viral Hepatitis Prevention and Control	93.270	549,162	169,773
Centers for Disease Control and Prevention, Investigations,			
and Technical Assistance	93.283	174,244	-
State Partnership Grant Prog To Improve Minority Health	93.296	156,950	142,434
National State Based Tobacco Control Program	93.305	1,035,728	778,300
Early Hearing Detection and Intervention			
Information System (EHD-IS) Surveillance Program	93.314	266,677	8,143
NON PPHF: Epidemiology and Lab Capacity for Infectious Diseases	93.323	3,494,631	311,017
State Health Insurance Assistance Program	93.324	973,102	655,770
Behavioral Risk Factor Surveillance System	93.336	70,120	-
ACL Independent Living State Grants	93.369	617,411	109
ACL Assistive Technology	93.354	1,406,251	989,535

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
Flexible Funding Model - Infrastructure Development and Maintenance			
for State Manufactured Food Regulatory Programs	93.367	\$ 56,005	\$ -
The State Flexibility to Stabilize the Market Grant Program	93.413	22,544	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	409,751	200,459
Every Student Succeeds Act/Preschool Development Grants	93.434	1,337,486	1,217,500
ACL Assistive Technology	93.464	474,911	429,056
Pregnancy Assistance Fund Program	93.500	(85,776)	(85,776)
Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	93.511	294,783	-
The Affordable Care Act: Building Epidemiology, Laboratory Prevention and Public Health Fund (ACA)	93.521	212,995	-
Prevention and Public Health Fund (ACA)	93.539	1,158,264	303,459
Promoting Safe and Stable Families	93.556	5,201,215	5,043,485
<i>TANF Cluster</i>			
Temporary Assistance for Needy Families (TANF) State Programs	93.558	\$ 312,583,777	103,236,409
<i>Total TANF Cluster</i>		<u>312,583,777</u>	<u>103,236,409</u>
Child Support Enforcement	93.563	150,287,528	17,798,490
Low -Income Home Energy Assistance	93.568	119,376,718	18,801,865
Community Services Block Grant	93.569	18,812,730	17,918,798
Community- Based Child Abuse Prevention Grants	93.590	1,961,386	1,895,798
<i>Child Care and Development Block Grant (CCDF) Cluster</i>			
Child Care and Development Block Grant	93.575	174,176,157	45,371,420
Child Care Mandatory & Matching Funds of the Child Care and Development Fund	93.596	56,400,882	920,468
<i>Total CCDF Cluster</i>		<u>230,577,039</u>	<u>46,291,888</u>
State Court Improvement Program	93.586	545,672	-
Grants to States for Access and Visitation Programs	93.597	218,403	-
Chafee Education and Training Vouchers Program (ETV)	93.599	635,033	635,033
Head Start	93.600	178,204	-
Adoption and Legal Guardianship Incentive Payments	93.603	538,535	538,535
Developmental Disabilities Basic Support and Advocacy Grants	93.630	2,014,574	843,005
Children's Justice Grants to States	93.643	207,322	203,531
Stephanie Tubbs-Jones Child Welfare Services - Program	93.645	4,082,099	-
Foster Care - Title IV-E	93.658	110,910,584	1,800,000
Adoption Assistance	93.659	80,555,371	-
Social Services Block Grant	93.667	54,246,502	1,779,330
Child Abuse & Neglect State Grants	93.669	527,910	526,301
Child Abuse & Neglect Discretionary Activities	93.670	772,774	688,093
<i>Family Violence Prevention and Services/</i>			
Domestic Violence Shelter and Supportive Services	93.671	2,122,458	2,066,169
Chafee Foster Care Independent Living	93.674	2,253,161	2,253,161
Capacity Building Assistance to Strengthen Public Health Immunization			
Infrastructure and Performance	93.733	83,919	-
State Public Health Approaches for Ensuring Quitline Capacity	93.735	382,497	109,232
Child Lead Poisoning Prevention Surveillance	93.753	193,687	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards



**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
State Public Health Actions to Prevent and Control Diabetes	93.757	\$ 554,886	\$ 438,397
Preventive Health and Health Services Block Grant	93.758	1,217,008	796,857
Evidence-Based Falls Prevention Programs Financed by PPHF	93.761	19,675	18,000
Children's Health Insurance Program	93.767	532,792,584	4,937,593
<i>Medicaid Cluster</i>			
State Medicaid Fraud Control Units	93.775	\$ 2,732,228	-
State Survey and Certification of Health Care Providers and Suppliers (Title XV III) Medicare	93.777	13,700,864	-
Medical Assistance Program	93.778	9,815,947,838	142,454,235
<i>Total Medicaid Cluster</i>		<u>9,832,380,930</u>	<u>142,454,235</u>
Opioid Str	93.788	10,377,743	8,274,328
Money Follow s the Person Rebalancing Demonstration	93.791	15,398,478	9,888,232
Domestic Ebola Supplement to ELC for Infectious Diseases	93.815	586,561	-
<i>Hospital Preparedness Program Ebola</i>			
Preparedness and Response Activities	93.817	598,251	574,853
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	11,345,219	10,775,511
National Bioterrorism Hospital Preparedness Program	93.889	5,783,737	3,315,120
Cancer Prevention and Control Programs for State	93.898	3,484,292	2,028,542
Grants to States for Operation of Offices of Rural Health	93.913	229,628	110,162
HIV Care Formula Grants	93.917	31,608,471	7,926,974
HIV Prevention Activities Health Department Based	93.940	14,839,412	8,596,302
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	1,144,207	414,993
Assistance Programs for Chronic Disease Prevention and Control	93.945	453,384	332,173
<i>Cooperative Agreements to Support State-Based Safe</i>			
Motherhood & Infant Health Initiative Programs	93.946	210,004	-
Block Grants For Community Mental Health Services	93.958	16,669,304	16,075,892
Block Grants For Prevention & Treatment of Substance Abuse	93.959	39,340,944	31,283,169
Preventative Health Services - Sexually Transmitted Diseases	93.977	2,289,641	106,715
Preventive Health and Health Services Block Grant	93.991	1,932,914	1,660,117
Maternal & Child Health Services Block Grant to the State	93.994	8,198,910	2,992,215
Contractual Agreements	93.CON	3,141,354	402,851
<b>Total U.S. Department of Health and Human Services</b>		<u><b>11,825,391,862</b></u>	<u><b>539,566,417</b></u>
<b>Corporation for National and Community Service</b>			
AmeriCorps	94.006	2,735,179	2,712,219
State Commissions	94.003	378,124	-
Training and Technical Assistance	94.009	208,828	-
<i>Foster Grandparent/Senior Companion Cluster</i>			
Foster Grandparent Program	94.011	777,664	497,500
Volunteer Generation Fund	94.021	287,491	253,203
<i>Total Foster Grandparent/Senior Companion Cluster</i>		<u>1,065,155</u>	<u>750,703</u>
<b>Total Corporation for National and Community Service</b>		<u><b>4,387,286</b></u>	<u><b>3,462,922</b></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures	Passed Through to Subrecipients
<b>Social Security Administration</b>			
<i>Disability Insurance/SSI Cluster</i>			
Social Security - Disability Insurance (DI)	96.001	\$ 64,004,020	\$ -
<i>Total Disability Insurance/SSI Cluster</i>		<u>\$ 64,004,020</u>	
Unassigned Catalog Numbers From Federal Government	96.UNA	<u>(2,124)</u>	-
<b>Total Social Security Administration</b>		<u><b>64,001,896</b></u>	<b>-</b>
<b>U.S. Department Homeland Security</b>			
Non-Profit Security Program	97.008	3,496,998	3,496,998
Boating Safety Financial Assistance	97.012	1,937,413	-
Services Element (CAP-SSSE)	97.023	180,450	-
National Urban Search & Rescue (US&R) Response System	97.025	6,364,323	3,598,204
Flood Mitigation Assistance	97.029	10,534,275	10,534,275
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	137,309,349	112,649,457
Hazard Mitigation Grant	97.039	25,934,512	16,991,059
National Dam Safety Program	97.041	63,721	-
Emergency Management Performance Grants	97.042	8,906,581	2,117,016
Cooperating Technical Partners	97.045	690,600	-
Pre-Disaster Mitigation	97.047	1,166,788	1,166,788
Port Security Grant Program	97.056	179,335	-
Homeland Security Grant Program	97.067	29,662,298	21,219,506
Homeland Security BioWatch Program	97.091	529,790	-
Presidential Residence Protection Security Grant	97.134	186,683	-
<b>Total U.S. Department Homeland Security</b>		<u><b>227,143,116</b></u>	<u><b>171,773,303</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 20,340,574,525</b></u>	<u><b>\$ 3,012,260,730</b></u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**STATE OF NEW JERSEY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 BASIS OF PRESENTATION**

**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, 2019. The State 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, as defined above, for the year ended June 30, 2019.

**Federal Family Education Loan Program**

The State administers the Federal Family Education Loan Program - Guaranty Program (FFELP). During the fiscal year ended June 30, 2019 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to \$33,519,251 and \$7,110,839, respectively, and are included in the accompanying Schedule. The principal amount outstanding for guaranteed loans as of June 30, 2019 and 2018 were \$1,447,948,141 and \$1,649,067,220, respectively.

**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". Administration Cost consolidations are labeled "ADM".

**Disaster Grants- Public Assistance (Presidentially Declared Disaster) (97.036)**

After a presidentially declared disaster, the U.S. Federal Emergency Management Agency (FEMA) provides a public assistance grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal Government reimburses in the form of cost-shared grants.

In 2019, FEMA approved approximately \$9,500,000 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

**NOTE 2 BASIS OF ACCOUNTING**

**General**

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

**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.

**STATE OF NEW JERSEY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2019**

**NOTE 2 BASIS OF ACCOUNTING (CONTINUED)**

**Nonmonetary Federal Awards**

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

**Indirect Costs**

The State and its various departments did not elect the 10 percent de minimus indirect cost rate as discussed in 2 CFR 200.414. Each department within the State that has a negotiated indirect cost rate with a Federal agency can use such indirect cost rates for any pass through grants to subrecipients.

**NOTE 3 MATCHING COSTS**

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

**NOTE 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.

**NOTE 5 CONTINGENCIES**

The State'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 is unable to determine the amounts, if any, that Federal agencies will disallow. Any impact as a result of these matters will be reflected in the Schedule and recognized by the respective Federal program when amounts can be determined.

The State 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, any impact as a result of these matters will be reflected in the Schedule and recognized by the respective Federal program when amounts can be determined.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section I – Summary of Auditors’ Results**

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**Schedules**

Type of auditors’ report issued by the State of New Jersey State Auditor: **Unmodified**

Internal control over financial reporting issued by the State of New Jersey State Auditor:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported
- Noncompliance material to Schedules noted? \_\_\_\_\_ Yes   X   None

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?   X   Yes \_\_\_\_\_ No
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

Type of auditors’ report issued on compliance for major programs: **See below**

Any audit findings disclosed that are required to be reported in accordance 2 CFR 200.516(a)?   X   Yes \_\_\_\_\_ No

Dollar threshold used to distinguish between type A and type B programs: **\$30,510,862**

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes   X   No

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section I – Summary of Auditors’ Results (continued)**

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***Identification of Major Programs***

Major Programs	CFDA #	Opinion
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Unmodified
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	Unmodified
Child and Adult Care Food Program	10.558	Unmodified
Section 8 Project Based Cluster	14.856	Qualified
Crime Victims Assistance	16.575	Unmodified
Unemployment Insurance	17.225	Unmodified
WIOA Cluster	17.258, 17.259, 17.278	Unmodified
Highway Safety Cluster	20.600, 20.616	Unmodified
Clean Water State Revolving Funds Cluster	66.458, 66.482	Unmodified
Title I Grants to Local Educational Agencies	84.010	Unmodified
Special Education Cluster (IDEA)	84.027, 84.173	Unmodified
Twenty-First Century Community Learning Centers	84.287	Unmodified
English Language Acquisition Grants	84.365	Unmodified
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality)	84.367	Unmodified
Immunization Cooperative Agreements	93.268	Unmodified
Low-Income Home Energy Assistance	93.568	Unmodified
Community Services Block Grant	93.569	Unmodified
CCDF Cluster	93.575, 93.596	Unmodified
Medicaid Cluster	93.775, 93.777, 93.778	Unmodified
HIV Care Formula Grants	93.917	Unmodified

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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**Matrix of Findings by Federal Agency and Federal Program**

Major Federal Program	Federal Agency (Prefix)	CFDA #	Finding #	Internal Control		Compliance
				Material Weakness	Significant Deficiency	
WIC	U.S.D.A. (10)	10.557	2019-001		X	X
CACFP	U.S.D.A. (10)	10.558	2019-002		X	X
Section 8	U.S. HUD (14)	14.856	2019-003	X		X
Section 8	U.S. HUD (14)	14.856	2019-004	X		X
Section 8	U.S. HUD (14)	14.856	2019-005		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2019-006		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2019-007		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2019-008		X	X
Title I	U.S. DOE (84)	84.010	2019-009		X	X
Special Education Cluster	U.S. DOE (84)	84.027, 84.173	2019-010		X	X
Title I, English Language Acquisition, Special Education Cluster, Supporting Effective Instruction	U.S. DOE (84)	84.010 84.027, 84.173, 84.365, 84.367	2019-011		X	X
LIHEAP	U.S. HHS (93)	93.568	2019-012		X	X
LIHEAP	U.S. HHS (93)	93.568	2019-013		X	X
CSBG	U.S. HHS (93)	93.569	2019-014		X	X
CCDF Cluster	U.S. HHS (93)	93.575, 93.596	2019-015		X	X
Medicaid Cluster	U.S. HHS (93)	93.775, 93.777, 93.778	2019-016		X	X

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-001  
**Prior Year Finding:** N/A  
**Federal Agency:** United States Department of Agriculture  
**State Agency:** Department of Health  
**Federal Program:** Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)  
**CFDA Number:** 10.557  
**Award Number and Year:** INJ700704 (2016-2019)  
**Compliance Requirement:** Period of Performance  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – CFR section 200.309 - Period of performance.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

Expenditures charged to the grant by the Department of Health (the Department) in the amount of \$429 were incurred prior to the start of the grant’s period of performance.

**Context:**

One of the five expenditure transactions selected for testing was incurred in August 2018 which was prior to the award start date of October 1, 2018.

**Questioned costs:**

\$429

**Cause:**

Accounting staff identified and charged program costs to the incorrect grant. The Department’s review process did not detect the error nor take timely corrective action.

**Effect:**

The Department was not compliant with the grant’s period of performance which could result in the grantor’s disallowance of the costs.



**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Recommendation:**

We recommend that the Department review its procedures to ensure that expenditures charged to the program are incurred within the grant period of performance.

**Views of responsible officials:**

Accepted. The transaction identified in this finding was the result of an oversight that was not detected during an internal review due to the temporary unavailability of the Grants Specialist handling the account. The Department of Health's Office of Budget and Financial Planning has since reviewed its Standard Operating Procedures (SOP) and will ensure that all future monthly billings undergo the required review by appropriate staff when availability is limited, and that documents will be approved by the appropriate Internal Control supervisor(s) before processing by accounting and procurement.

An Expenditure Modification (EM) transaction was processed on February 5, 2020 to remove the charge from the account and reflect the necessary adjustment for this finding. This corrective action was completed while audit fieldwork was still in progress.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-002  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Agriculture  
**State Agency:** Department of Agriculture  
**Federal Program:** Child and Adult Care Food Program (CACFP)  
**CFDA Number:** 10.558  
**Award Number and Year:** 1NJ300304 (2019)  
**Compliance Requirement:** Eligibility for Subrecipients  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – State agencies may disburse CACFP funds only to those organizations that meet the eligibility requirements stated in the following program requirements: (1) generic requirements for all institutions at 7 CFR section 226.15 and 42 USC 1766(a)(6) and (d)(1); (2) institution type definitions in 7 CFR section 226.2 (3) additional requirements for sponsoring organizations at 7 CFR section 226.16; (4) additional requirements for child care centers (whether independent or sponsored) at 7 CFR section 226.17; (5) additional requirements for day care homes (which must be sponsored) at 7 CFR section 226.18; (6) additional requirements for outside-school-hours centers at 7 CFR section 226.19; (7) additional requirements for adult day care centers (whether independent or sponsored) at 7 CFR section 226.19a; (8) additional requirements for at risk afterschool programs at 7 CFR section 226.17a; and (9) additional requirements for emergency shelters at 42 USC 1766(t). Eligible child care centers include public, private non-profit, and certain for-profit child care centers, HeadStart programs, and other entities which are licensed or approved to provide day care services.

For-profit child care and outside-school-hours care centers may participate in the CACFP if they meet either of the following two criteria: (1) at least 25 percent of the enrolled children or 25 percent of the licensed capacity, whichever is less, are funded under Title XX of the Social Security Act; or (2) at least 25 percent of the children in their care are eligible for free or reduced price meals. Children who participate only in the at-risk afterschool component of the program must not be considered in determining whether the institution met this 25 percent threshold (42 USC 1766(a)(2)(B); 7 CFR section 226.11(c)(4)).

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

A subrecipient organization’s non-profit 501(c)(3) status had been revoked in 2015 but its eligibility was reviewed and approved by the Department of Education (the Department) in fiscal year 2019 using non-profit subrecipient requirements instead of for-profit subrecipient requirements.

**Context:**

Eligibility was incorrectly determined for one of forty subrecipients tested.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Questioned costs:**

Undetermined.

**Cause:**

The organizational status for the one subrecipient was not updated in the Department's records. Internal review process failed to detect the error.

**Effect:**

Funding may be provided to an ineligible subrecipient organization if the program uses the incorrect eligibility criteria.

**Recommendation:**

We recommend that the Department review its current subrecipient eligibility process to ensure that organizations are properly classified and that they are being reviewed for eligibility against the correct criteria.

**Views of responsible officials:**

Accepted. The New Jersey Department of Agriculture (NJDOA) finds that we were in error and did not adequately substantiate the organizational status of the subrecipient cited. In response to the recommendation provided in the finding, please refer to the details of our Application Approval procedures for approving new and renewing non-profit institutions for the CACFP as documented in our corrective action plan.

All private non-profit institutions must be reviewed and verified for maintaining federal tax-exempt status when applying or reapplying, maintain a current 501(c)(3) document, and must not be listed on the IRS Tax-Exempt Revocation list or have been reinstated. Staff will be retrained on the Application Approval procedures to determine organizational status before approving a subrecipient as a non-profit institution.

**STATE OF NEW JERSEY  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-003  
**Prior Year Finding:** 2018-011  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Lower Income Housing Assistance Program – Section 8  
Moderate Rehabilitation  
**CFDA Number:** 14.856  
**Award Number and Year:** NJ912 (2019)  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Material Weakness in Internal Control, Material noncompliance

**Criteria or specific requirement:**

*Compliance* – The Public Housing Agency (PHA) or owner, as applicable, must: a. Verify the eligibility of applicants by (a) obtaining signed applications that contain the information needed to determine eligibility (including designation as elderly, disabled, or homeless, if applicable), income, rent, and order of selection; (b) conducting verifications of family income and other pertinent information (such as assets, full time student and immigration status, and unusual medical expenses) through third parties; (c) documenting inspections and tenant certifications, as appropriate; and, (d) determining that tenant income did not exceed the maximum limit set by HUD for the PHA’s jurisdiction, as shown in HUD’s published notice transmitting the Limits for Low-Income and Very Low-Income Families Under the Housing Act of 1937. For the Mod Rehab SRO program, eligible individuals must be homeless upon entry into the program. (24 CFR sections 880.603, 881.601, 882.514, 882.808, 833.701, 884.214, 886.119, and 886.318) b. Determine the total tenant rent payment in accordance with 24 CFR section 5.613. c. Select participants from the waiting list in accordance with the admission policies in its administrative plan and maintain documentation which shows that, at the time of admission, the family actually met the preference criteria that determined the family’s place on the waiting list. d. Reexamine family income and composition at least once every 12 months and adjust the total rent payment and housing assistance payment, as necessary (24 CFR sections 5.617, 880.603, 881.601, 882.515, 884.218, 886.124, and 886.324).

*Control* - Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

Supporting documentation over tenant eligibility was not adequately maintained by the Department of Community Affairs (the Department) and income was not properly calculated and reported as follows:

1. Third party verification related to program eligibility was not provided for FY 2019 for one tenant participating in the program. The Department is required to document third-party verifications obtained and used to support the tenant’s eligibility.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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2. The rent amount of \$928 in the tenant file of one tenant did not match the Housing Assistance Payments (HAP) register amount of \$895 (variance of \$33). The correct amount was included in the HAP register, but the incorrect print out was included in the tenant file.
3. One tenant file incorrectly calculated income as \$9,794 (biweekly salary of \$816.20 x 12 months); correct calculation of income should have been \$19,589 (biweekly salary of \$816.20 x 24 weeks), a difference of \$9,795.
4. One tenant file contained unreported income of \$24,981 during the lease contract.
5. The Section 8 Checklist related to program eligibility was not provided for FY 2019 for four tenants participating in the program. The Section 8 checklist that shows approval, via signature of the Housing Specialist, of the supporting documentation over tenant eligibility was not adequately maintained. Approval of this Checklist is the Department's internal control used to ensure compliance with eligibility requirements.

**Context:**

One of the sixty tenant files did not contain third-party verifications to support the eligibility for the audit period. One of the sixty tenant files included a rent amount that did not agree to the HAP register. Two of the sixty tenant files incorrectly reported tenant income based on miscalculation or unreported income. Four of the sixty tenant files did not contain a Section 8 Checklist to support the approval of the eligibility determination for the audit period.

**Questioned costs:**

Undetermined.

**Cause:**

Supervisory review failed to detect the errors.

**Effect:**

The Department's tenant files do not consistently support the tenant eligibility which may allow an ineligible participant to receive program benefits.

**Recommendation:**

We recommend that the Department review current tenant eligibility procedures to ensure that proper documentation is obtained and maintained to support eligibility determinations.

**Views of responsible officials:**

Accepted. This is a repeat finding from the prior FY 2018 audit. Corrective actions for this finding were not fully implemented for the FY 2019 audit period ended June 30, 2019 and there is no change to the original plan as procedures were reviewed and modified at the beginning of FY 2020 to ensure future compliance with ensuring proper eligibility documentation is obtained and maintained.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-004  
**Prior Year Finding:** 2018-013  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Lower Income Housing Assistance Program – Section 8 Moderate Rehabilitation  
**CFDA Number:** 14.856  
**Award Number and Year:** NJ912 (2019)  
**Compliance Requirement:** Special Reporting – HUD-50058  
**Type of Finding:** Material Weakness in Internal Control, Material Noncompliance

**Criteria or specific requirement:**

*Compliance* - The Public Housing Agency (PHA) is required to submit form HUD-50058 electronically to HUD each time the PHA completes an admission, annual reexamination, interim reexamination, portability move-in, or other change of unit for a family. The PHA must also submit the Family Report when a family ends participation in the program or moves out of the PHA's jurisdiction under portability.

The HUD-50058 must be submitted within 60 days of the effective date as required by PIH notice 2011-65.

*Control* - Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

1. Housing Assistance Payments (HAP) reported on the HUD-50058 form did not agree with documentation in tenant files:
  - A. One tenant file documented and identified the HAP payment as \$1,013 but it was reported on the HUD-50058 form as \$948; a difference of \$65 per month for three months (\$195).
  - B. One tenant file selected for testing was not provided by the Department and CLA was unable to perform the test. The tenant received benefit payments of \$915 per month for three months (\$2,745) during the audit period.
2. Three of 60 HUD-50058 forms selected for testing were not submitted within 60 days of the effective date, as required by PIH notice 2011-65.

**Context:**

One of the 60 tenant HAP payments reported on the HUD-50058 form did not agree to documentation in the tenant file and one of the 60 tenant files selected for testing was not provided. Three of the 60 HUD-50058 forms were not submitted by the required deadline.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Questioned costs:**

- \$195 (\$65 variance reported for three months)
- \$2,745 (\$915 HAP issued for three months)

**Cause:**

Internal controls were not operating effectively to ensure the department could locate all tenant files. In addition, the Department's supervisory review and approval control was not operating effectively to ensure that information reported in HUD-50058 form was properly supported and that forms were submitted timely.

**Effect:**

The data reported to the grantor was not supported by the Department's records.

**Recommendation:**

We recommend that the Department review its procedures to ensure that information reported to the grantor is accurate and properly supported by documentation in tenant files and that all HUD-50058 forms are submitted by required deadlines.

**Views of responsible officials:**

Accepted. This is a repeat finding from the prior FY 2018 audit. Corrective actions for this finding were not fully implemented for the FY 2019 audit period ended June 30, 2019 and there is no change to the original plan as procedures were reviewed and modified at the beginning of FY 2020 to ensure future compliance that the 50058 form is accurate and properly supported by documentation in the tenant file.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-005  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Lower Income Housing Assistance Program – Section 8  
Moderate Rehabilitation  
**CFDA Number:** 14.856  
**Award Number and Year:** NJ912 (2019)  
**Compliance Requirement:** Special Tests and Provisions – Contract Rent Adjustments  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* - The Public Housing Agency (PHA) or owner applies or ensures annual adjustments to contract rents are applied. The Housing Assistance Payment (HAP) contract specifies the method to be used to determine rent adjustments. Adjustments must not result in material differences between rents charged for assisted units and comparable unassisted units except as those differences existed at contract execution. Special adjustments to contract rents, within the original contract term, may also be made to the extent deemed necessary by the PHA or HUD (24 CFR sections 880.609, 881.601, 882.410, 882.808, 883.701, 884.109, 886.112, and 886.312).

*Control* - Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Community Affairs (the Department) was unable to provide one tenant file.

**Context:**

One of 40 tenant files selected was not available for testing.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s internal controls were ineffective in preventing the misplacement of a tenant file. Supervisory review did not detect or prevent the error.

**Effect:**

The data reported to the grantor was not supported by the Department’s records.



**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Recommendation:**

We recommend that the Department review current procedures and make necessary changes to ensure that information reported to the grantor is accurate and properly supported by documentation in the tenant file and that all tenant files are properly filed and available.

**Views of responsible officials:**

Accepted. As recommended, the New Jersey Department of Community Affairs (DCA) will review current procedures to determine if the procedures are adequate and make the necessary changes to ensure that the information reported to the grantor is accurate and properly supported by documentation in the tenant file.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-006  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance  
**CFDA Number:** 17.225  
**Award Number and Year:** UI-27992-16-55-A-34 (2016), UI-29857-17-55-A-34 (2017), UI-31382-18-55-A-34 (2018), UI-32614-19-55-A-34 (2019).  
**Compliance Requirement:** Eligibility  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – Under State Unemployment Compensation laws, a worker’s benefit rights depend on the amount of the worker’s wages and/or weeks of work in covered employment in a “base period.” While most States define the base period as the first 4 of the last 5 completed calendar quarters prior to the filing of the claim, other base periods may be used. To qualify for benefits, a claimant must have earned a certain amount of wages or have worked a certain number of weeks or calendar quarters within the base period or meet some combination of wage and employment requirements.

*Control* - Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Labor and Workforce Development (the Department) lacked adequate evidence that a monetary eligibility determination was made for a particular claimant.

**Context:**

For 1 out of 60 claimants tested, the Department was unable to provide documentation confirming that a monetary determination letter was sent to the claimant’s former employer.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s supervisory review and approval control was not operating effectively to ensure that documentation existed to support compliance with eligibility determination requirements.

**Effect:**

An ineligible claimant may receive program benefits.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Recommendation:**

We recommend that the Department follow its internal control procedures to ensure that eligibility determinations are made in accordance with State and Federal regulations and that all required documentation exists in claimant files.

**Views of responsible officials:**

Accepted. The Department of Labor and Workforce Development (DLWD) will review current procedures related to the distribution of monetary determination letters to ensure they are adequate to achieve compliance. Procedures will also be reiterated to staff responsible for sending the letters to ensure that going forward all letters are sent timely and maintained for supporting documentation purposes.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-007  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance  
**CFDA Number:** 17.225  
**Award Number and Year:** UI-32614-19-55-A-34 (2019)  
**Compliance Requirement:** Period of Performance  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – CFR section 200.309 - Period of performance.

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

Expenditures charged to the grant by the Department of Labor and Workforce Development (the Department) in the amount of \$1,071 were incurred prior to the start of the grant’s period of performance.

**Context:**

Twelve of 19 expenditure transactions selected for testing were incurred prior to the award start date of October 1, 2018.

**Questioned costs:**

\$1,071

**Cause:**

Accounting staff identified and charged program costs to the incorrect grant. The Program’s review process did not detect the error nor take timely corrective action.

**Effect:**

The Department was not compliant with the grant’s period of performance which could result in the grantor’s disallowance of the costs.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Recommendation:**

We recommend that the Department review its procedures to ensure that expenditures charged to the program are incurred within the grant period of performance.

**Views of responsible officials:**

Accepted. The Department of Labor and Workforce Development (DLWD) has reviewed their current Travel Policy & Procedures and have made updates to the document. Additionally, Accounts Payable staff who process the travel reimbursements have received training on the updated policy and procedures. Transactions that did not comply with the period of performance policy have been corrected. Additionally, travel activity is now monitored as part of DLWD's monthly fiscal reporting process performed by the Appropriations Accounting Unit.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-008  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance  
**CFDA Number:** 17.225  
**Award Number and Year:** UI-27992-16-55-A-34 (2016), UI-29857-17-55-A-34 (2017), UI-31382-18-55-A-34 (2018), UI-32614-19-55-A-34 (2019)  
**Compliance Requirement:** Special Tests and Provisions – UI Benefit Payments  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – The Improper Payments Elimination and Recovery Act (IPERA) of 2010 codified the requirement for valid statistical estimates of improper payments. SWAs are required by 20 CFR section 602.11(d) to operate and maintain a quality control system. The Benefits Accuracy Measurement (BAM) program is DOL’s quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is exempted from such requirement (20 CFR section 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of small random samples to the universe of all claims paid and denied in a State. Specifically, the SWA’s BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt and in-depth investigations to determine the degree of accuracy in the administration of the State UC and Federal law (20 CFR section 602.21(d)). DOL has promulgated investigational requirements and instructions in ET Handbook No. 395 (see below), pursuant to 20 CFR section 602.30(a). As presented in the handbook, the investigation involves a review of the records, and contacting the claimant, employers, and third parties (either in-person, by telephone, or by fax) to complete standard questionnaires and conduct new and original fact-finding to assess all of the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to State law as well as Federal law and official policy. For claims that were overpaid, underpaid, or erroneously denied, the BAM investigator determines the amount of payment error or, for erroneously denied claims, the potential eligibility of the claimant; the cause of and the responsibility for any payment error; the point in the UI claims process at which the error was detected; and actions taken by the agency and employer prior to the payment or denial decision that is in error. BAM covers State UC, UCFE, and UCX.

Excerpt from ET Handbook No. 395, 5<sup>th</sup> Edition, Benefit Accuracy Measurement State Operations Handbook (page VI-11): Prompt completion of investigations is important to ensure the integrity of the information being collected by questioning claimant and employers before the passage of time adversely affects recollections. Prompt entry of associated data is necessary for both the SWA and the Department of Labor to maintain current databases. Therefore, the following time limits are established for completion of all cases for the year.

- A minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch, and 95 percent of cases must be completed within 120 days of the ending date of the calendar year.
- A minimum of 98 percent of cases for the year must be completed within 120 days of the ending data of the calendar year.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Labor and Workforce Development (the Department) did not review the required number of cases within the time limits required by the U.S. Department of Labor.

**Context:**

The Department completed 89% of cases within 90 days or less, which is under the 95% minimum requirement. The Department completed 91% of cases within 120 days or less, which is under the 98% minimum requirement. In addition, the Department took over 120 days to complete 8% of cases, which is greater than the 2% maximum allowed for over 120 days.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s Benefits Accuracy Measurement Unit (BAM) did not comply with its procedures regarding time requirements of case review completions.

**Effect:**

Untimely BAM case reviews could allow inaccurate benefit payments to be undetected, resulting in the potential for ongoing payment errors.

**Recommendation:**

We recommend that the Department comply with its policies and procedures and complete case reviews within the required number of days as stipulated by the U.S. Department of Labor.

**Views of responsible officials:**

Accepted. The Benefits Accuracy Measurement (BAM) unit would optimally have ten (10) UI Technicians II and one or two UI Technicians III on staff to properly and timely complete all of their work and ensure compliance with the program’s minimum review percentage requirements. Currently the unit has eight UI Technicians II and zero UI Technicians III on staff, with another UI Technician II scheduled to retire as of May 1, 2020. The Division has permission to fill one vacant UI Technician II position, which will leave the unit with a total of eight Technicians II after the retirement in May. DLWD is working on a comprehensive hiring plan for the next three to six months that will include adding two more UI Technicians II and at least one UI Technician III to the unit to have a full complement of trained BAM Technicians on board.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-009  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Education  
**State Agency:** Department of Education  
**Federal Program:** Title I – Grants to Local Educational Agencies  
**CFDA Number:** 84.010  
**Award Number and Year:** S010A160030.16B (2017), S010A170030.17B (2018),  
S010A180030.18A (2019)  
**Compliance Requirement:** Earmarking – Special Rule for Targeting School Improvement Funds.  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – Per 2 CFR § 200.100(a)(2) each SEA must ratably reduce the allocations of LEAs and also follow the special rule described below to reserve for school improvement activities the greater of:

- Seven percent of the SEA's FY 2018 Title I award; or
- The sum of the total amount that the SEA reserved for school improvement under section 1003(a) from its FY 2016 Title I award (general, 4 percent of that award) and the amount of the SEA's FY 2016 School Improvement Grants (SIG) allocation under section 1003(g).

*Special Rule:* In reserving funds for school improvement from FY 2018 and subsequent years' allocations, an SEA may not reduce an LEA's Title I, Part A allocation below the prior year's amount. If funds are insufficient to reserve the amount described in the two bullets above, the SEA is not required to reserve this amount.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Education (the Department) did not ensure that each LEA was allocated at least 100% of their prior year's allocation with respect to school improvement activity funds.

**Context:**

For one out of 40 LEA SIA allocations reviewed, the LEA was allocated fewer funds for school improvement activities in the current year than in the prior year.

**Questioned costs:**

Undetermined.



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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Cause:**

The SIA allocation process is a component of a much larger and more complex Title I allocation process. The SIA allocation is done iteratively, where each iteration sees allocated funds being taken from LEAs with excess allocations and given to LEAs with deficiencies. Program personnel have determined that three iterations of allocation adjustments are typically appropriate for this segment of the allocation process. Because the process is considered complete after the third allocation, the deficiency in funds for the identified LEA was not identified, and a fourth iteration, which would have adjusted this LEA's allocation, was not completed.

**Effect:**

An LEA may be allocated an incorrect amount of Title IA funds for school improvement activities.

**Recommendation:**

We recommend that the Department implement policies and procedures that adequately detect all insufficient allocations and ensure that LEAs receive the correct amount of Title IA funds.

**Views of responsible officials:**

Accepted. For the FY 2020-21 Title I, Part A allocation process, a column will be added to the end of each School Improvement Activities (SIA) reduction iteration which will indicate each Local Education Agency (LEA) that is not allocated 100% of their prior year allocations. SIA reduction iterations will continue to be run until all LEAs have received an allocation of at least 100% of their prior year's allocation.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-010  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Education  
**State Agency:** Department of Education  
**Federal Program:** Special Education Cluster (IDEA)  
**CFDA Number:** 84.027, 84.173  
**Award Number and Year:** H027A160100-16A (2017), H027A170100-17B (2018),  
H027A180100-18A (2019), H173A160114 (2017),  
H173A170114 (2018), H173A180114 (2019)  
**Compliance Requirement:** Allowable Costs (Effort Reporting)  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – Per 2 CFR § 200.430 (a), costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees: (1) Is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities; (2) Follows an appointment made in accordance with a non-Federal entity’s laws and/or rules or written policies and meets the requirements of Federal statute, where applicable; and (3) Is determined and supported as provided in paragraph (i) of this section, Standards for Documentation of Personnel Expenses, when applicable.

Per 2 CFR § 200.430 (i), charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable and properly allocated;
- Be incorporated into the official records of the non-Federal entity;
- Reasonably reflect the total activity for which the employee is compensated by the non-Federal entity, not exceeding 100% of compensated activities;
- Encompass both federally assisted and all other activities compensated by the non-Federal entity on an integrated basis, but may include the use of subsidiary records as defined in the non-Federal entity’s written policy;
- Comply with the established accounting policies and practices of the non-Federal entity;
- Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Condition:**

The Department of Education (the Department) did not properly adjust actual time charged to the program for two employees:

- The Federal Time & Activity Report for one employee properly calculated 38.13% to be charged to the program but the Program incorrectly charged 80% to the program.
- The Federal Time & Activity Report for one employee properly calculated 74.85% to be charged to the program but the Program incorrectly charged 85.61% to the program.

**Context:**

For 4 of 40 payroll transactions, representing two employees, selected for testing, the related adjustments to reconcile the amount of time the employee worked on the program were improperly calculated.

**Questioned costs:**

\$9,033

**Cause:**

The State's payroll system does not allow employees to be charged to multiple accounts and the Department relies on a manual process to adjust employees' wages to align them with their certified timesheets. This process includes several levels of review and approval before adjustments are made to the accounting system and this manual process is prone to human error.

**Effect:**

Unsupported time and effort expenditures may allow costs to be charged to the program in error.

**Recommendation:**

We recommend that the Department implement policies and procedures that allow them to correctly calculate and charge employee time and effort to the program that is supported by certified timesheets.

**Views of responsible officials:**

Accepted. The State of New Jersey's payroll system has limitations that do not allow employees to be charged to multiple accounts. As a result of these limitations, the Department of Education (DOE) relies on a manual process to adjust employees' wages to align them with their certified timesheets. In any given quarter, there are over 100 manual adjustments made to tie to certified timesheets. There are several levels of review and approval before these adjustments are made in the accounting system. Nevertheless, since the process is extremely manual, there is always a chance for human error to occur.

Going forward, the DOE Office of Budget & Accounting will have another employee, not involved in performing the adjustments, reconcile the manual adjustments with the certified timesheets and payroll to ensure accuracy. Additionally, in an attempt to reduce the amount of manual quarterly adjustments, the Office of Budget & Accounting is working with program offices to identify work responsibilities of split funded employees to align them to a single funding source which will eliminate the need for certain salary splits.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-011  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Education  
**State Agency:** Department of Education  
**Federal Program:** Title I Grants to Local Educational Agencies  
English Language Acquisition State Grants  
Special Education Cluster (IDEA)  
Supporting Effective Instruction State Grants  
**CFDA Number:** 84.010, 84.027, 84.173, 84.365, and 84.367  
**Award Number and Year:** S010A160030.16B (2017), S010A170030.17B (2018),  
S010A180030.18A (2019), S365A160030 (2017),  
S365A170030 (2018), S365A180030 (2019), H027A160100-  
16A (2017), H027A170100-17B (2018), H027A180100-18A  
(2019), H173A160114 (2017), H173A170114 (2018),  
H173A180114 (2019), S367A160029-16B (2017),  
S367A170029-17B (2018), S367A180029-18A (2019)  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – 2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) imposes requirements on pass-through entities in oversight of subawards. Subpart D, §200.331(b) requires that pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Subpart D, §200.331(d) requires pass-through entities monitor the activities of subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity; (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means; (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

The New Jersey Department of Education (the Department) issued a procedure, *New Jersey's Consolidated Monitoring of Federal Programs*, which describes the process the DOE uses to comply with Uniform Guidance subrecipient monitoring requirements. Procedures include using a risk analysis to select 45 subrecipients to be monitored each year via site visit in combination with other monitoring tools.

*Control* – Per 2 CFR section 200.303 Internal Controls: The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

Although the Department completed some subrecipient monitoring procedures, including maintaining documented review of subrecipient financial documentation and performance reports as required by Uniform Guidance, we noted that the Department performed only 6 site visits of the 45 required per the Department’s procedure manual.

**Context:**

Documentation for site visits was only completed for six subrecipients, 39 less than the required number of site visits required each year per the Department’s procedure manual.

**Questioned costs:**

Undetermined.

**Cause:**

In 2018, the Department began the process of reviewing and revising its subrecipient monitoring process. As part of the revision process they temporarily suspended all current monitoring visits and related documentation. The monitoring process began again during the latter part of 2019.

**Effect:**

The Department is not performing monitoring of its subrecipients as required by 2 CFR Part 200.

**Recommendation:**

The Department should follow its documented on-site monitoring procedures, to ensure that the required number of site visits are completed annually and that subrecipients are monitored as required by 2 CFR Part 200.

**Views of responsible officials:**

Accepted. The New Jersey Department of Education (DOE) updated the New Jersey Collaborative Monitoring of Federal Programs procedure manual for FY 2020 in September 2019. The new procedure manual reflects both the revised risk analysis and the tiered approach it is taking in FY 2020 towards identifying the subrecipients to receive either intensive support (on-site monitoring), targeted support (desk review monitoring), or universal support (technical assistance). Additional revisions will be made to the procedures manual to ensure compliance with the FY 2019 Single Audit finding related to internal controls/policies and procedures for subrecipient monitoring:

- Update the procedure manual to include a section that outlines the NJDOE activities performed for targeted support;
- Update the number of teams providing both intensive and targeted support;
- Update the number of intensive and targeted support to be performed in FY 2020; and
- Define Universal Support and its schedule.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-012  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Community Affairs  
**Federal Program:** Low-Income Home Energy Assistance  
**CFDA Number:** 93.568  
**Award Number and Year:** G-1901NJLIEA (2019), G-1801NJLIEA (2018),  
G-1702NJLIEA (2017)  
**Compliance Requirement:** Reporting (Performance Reporting)  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – LIHEAP Performance Data Form (OMB No 0970-0449) – State grantees must submit this report by January 31<sup>st</sup> regarding the prior Federal fiscal year. The first section of the report is the Grantee Survey that covers sources and allocation of funding. The rest of the report is regarding performance metrics, mostly related to home energy burden targeting and reduction, as well as the continuity of home energy service.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The LIHEAP Performance Data Form for the period October 1, 2017 to September 30, 2018 was submitted on June 14, 2019, approximately four months after the due date of January 31, 2019.

**Context:**

Although the performance report was filled out correctly and properly reconciled to supporting documentation, the report was submitted late. Supervisory review control did not catch this error.

**Questioned costs:**

None.

**Cause:**

The Supervisor responsible for the approval and submission of program performance reports retired prior to submitting the form. The new individual who assumed this position in May 2019 identified the oversight, but was unable to submit the form until he received credentials to log into the Online Data Collection (OLDC) System website to submit the form.

**Effect:**

The performance report was submitted late.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Recommendation:**

We recommend that the Department review current procedures to determine that they are adequate to ensure that performance reports are accurately completed, and reviewed and submitted timely.

**Views of responsible officials:**

Accepted. After the retirement of two Program Supervisors, within a span of three months, there was a gap in filling the position. The new Program Supervisor was hired on April 29, 2019. Upon resumption, the Program Supervisor obtained the credentialing to the Online Data Collection System (OLDC) portal and promptly submitted the report. Going forward, the new Program Supervisor will be responsible for submitting future reports to OLDC with oversight from the Assistant Division Director. Another member of the LIHEAP staff has also been given access to the OLDC portal for proper coverage.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-013  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Community Affairs  
**Federal Program:** Low-Income Home Energy Assistance  
**CFDA Number:** 93.568  
**Award Number and Year:** G-1901NJLIEA (2019), G-1801NJLIEA (2018),  
G-1702NJLIEA (2017)  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – Per 2 CFR section 200.331(d): Pass-through entities must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity. (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means. (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

Per 2 CFR section 200.331 (f): Verify that every subrecipient is audited as required by Subpart F—Audit Requirements of this part when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in §200.501 Audit requirements.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

One subrecipient's completed monitoring report required a corrective action plan (CAP) but it was not submitted by the grantee as required by the results letter issued by the Department of Community Affairs (the Department) to the subrecipient. Subrecipient monitoring controls did not identify that the CAP was not received, nor was there evidence the Department followed up to obtain the CAP.

**Context:**

The Department completed the monitoring report for this subrecipient, noting findings in a results letter dated January 4, 2019; the results letter required a CAP to be submitted to the Department no later than February 8, 2019. As of February 5, 2020, the CAP had not been received by the Department.



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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Questioned costs:**

None.

**Cause:**

Subrecipient monitoring controls were not effective to ensure the timely receipt of CAPs, nor to ensure appropriate follow-up for items not received by deadlines stated in results letters.

**Effect:**

The Department is not in compliance with subrecipient monitoring requirements, as noted above.

**Recommendation:**

We recommend that the Department review its subrecipient monitoring processes and controls to ensure that monitoring reports are completed in accordance with federal requirements, that CAPS are received timely, and that the Department reviews and follows up on subrecipient CAPs, as applicable.

**Views of responsible officials:**

Accepted. After the retirement of two Program Supervisors, within a span of three months, there was a gap in filling the position. The new Program Supervisor was hired on April 29, 2019. Due to the gap in filling the position, the required Corrective Action Plan (CAP) response from the subrecipient agency was not received. The Department has initiated efforts to ensure that it is received, and we have also implemented a procedure to ensure that all future CAPs are received timely through follow-up and visits by the Field Monitors to ensure compliance.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-014  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Community Affairs  
**Federal Program:** Community Services Block Grant  
**CFDA Number:** 93.569  
**Award Number and Year:** G-1901NJCOSR (2019), G-18B1NJCOSR (2018),  
G-17B1NJCOSR (2017)  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – 2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) imposes requirements on pass-through entities in oversight of subawards. Subpart D, §200.331(b) requires that pass-through entities evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Subpart D, §200.331(d) requires pass-through entities monitor the activities of subrecipients as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include: (1) Reviewing financial and performance reports required by the pass-through entity; (2) Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means; (3) Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity as required by §200.521 Management decision.

In addition, States must conduct full on-site reviews of each eligible entity once every 3 years to check conformity with performance goals, administrative standards, financial management rules, and other requirements. States must conduct an onsite review of each newly designated entity immediately after the completion of the first year in which such entity receives CSBG funding. Follow-up reviews, including prompt return visits to eligible entities and their programs, are required for entities that fail to meet the goals, standards, and requirements established by the State (42 USC 9914(a)).

If a State finds a need for corrective action, the State must (1) inform the subgrantee of the deficiency and require correction; (2) offer training and technical assistance and report to the Office of Community Services (OCS) on that assistance, or explain why providing such assistance was not appropriate; (3) receive an improvement plan from the subgrantee within 60 days; and (4) not later than 30 days after receiving the improvement plan either approve it or specify the reasons why it cannot be approved (42 USC 9915). If the subgrantee fails to remedy the deficiency, the State may initiate proceedings to terminate the subgrantee's eligibility or reduce its funding (42 USC 9908(b)(8) and 42 USC 9915(a)(5)).

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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“Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

Three subrecipients requiring corrective action received result letters from the Department of Community Affairs (the Department) more than one year after initial review was completed. Initial third party monitoring reviews were conducted as required, however, corresponding result letters were not sent until after audit test work revealed the letters had not previously been sent.

**Context:**

Three of eight subrecipients selected for testing did not receive a timely result letter requesting a corrective action plan.

**Questioned costs:**

None.

**Cause:**

The Department’s monitoring process and controls were not operating effectively to ensure timely communication to subrecipients and follow-up on receipt of corrective action plans. Supervisory review failed to detect the errors.

**Effect:**

The Department is not in compliance with the requirements of 42 USC 9914 and 9915 and the subrecipient monitoring requirements of the Uniform Guidance, as detailed above.

**Recommendation:**

We recommend that the Department review its subrecipient monitoring processes and controls to ensure that monitoring reports are completed in accordance with federal requirements, that CAPS are received timely, and that the Department reviews and follows up on subrecipient CAPs, as applicable.

**Views of responsible officials:**

Accepted. In order to ensure timely release of both the programmatic monitoring report, as completed by DCA staff in the spring of each year, and the fiscal monitoring report, as completed by the engaged independent auditing firm in the late summer of each year, DCA will now provide CSBG agencies with two separate monitoring reports and each shall be released within 60 days of the monitoring site visit.

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-015  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Human Services  
**Federal Program:** Child Care and Development Fund Cluster  
**CFDA Number:** 93.575, 93.596  
**Award Number and Year:** G1601NJCCDF (2016), G1701NJCCDF (2017)  
G1801NJCCDF (2018), G1901NJCCDF (2019)  
**Compliance Requirement:** Subrecipient Monitoring  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

Compliance: 2 CFR 200.331(a) states that all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward.

Control: Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

During the audit, we noted that the Department’s subaward agreements did not identify the total federal award at the time the subaward was issued. In accordance with Uniform Guidance, the Department is required to notify the subrecipient of federal subaward amount at the time the subaward is issued, as well as, timely notifications of subaward modifications.

The Department’s subaward provided a total contract ceiling amount which is an estimated amount of the available program funds. As part of the year-end close-out process, the Department performed a reconciliation of the program costs to determine the actual subaward amount. Once the year-end reconciliation is complete, the Department notified the subrecipient of the actual subaward amount. The subrecipient is unaware of the actual federal award amount until after year-end.

**Context:**

The subaward agreement for 8 out of 8 subrecipients identified a total contract ceiling amount instead of the actual subaward amount.

**Questioned costs:**

None noted, the subrecipients’ costs were allowable.

**STATE OF NEW JERSEY  
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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Cause:**

The Department's current process was established to provide an estimated award amount instead of actual, and to determine the actual subaward as part of the year-end reconciliation process.

**Effect:**

The Department subaward did not comply with Uniform Guidance 2 CFR 200.331 which requires the pass-through entity to identify the dollar amount made available under each Federal award.

**Recommendation:**

We recommend that the Department update the subrecipient subawards to ensure that the subawards comply with Uniform Guidance requirements.

**Views of responsible officials:**

Accepted. At the time of contract award the Department of Human Services' Division of Family Development (DFD), the State level pass-through entity, provides each subrecipient a total contract ceiling amount and the amount of federal funding contained within the total contract amount. The amount of federal funding within the CCDF block grant is initially an estimate since the federal allocations are not fully finalized for three to six months after the beginning of each Federal Fiscal Year. In addition, allocations for State vs. Federal funding are determined in accordance with the federally approved Cost Allocation Plans utilized by DFD for federal reporting and claiming purposes on a quarterly basis.

Going forward, the DFD Office of Budgetary and Financial Management and the DFD Contract Office will work together to develop a process and accompanying procedures to update the amount of federal funding and report same to the subrecipient on a periodic basis. The process will be developed and implemented on or before June 30, 2020.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Reference Number:** 2019-016  
**Prior Year Finding:** 2018-008  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Human Services  
**Federal Program:** Medicaid Cluster  
**CFDA Number:** 93.775, 93.777, 93.778  
**Award Number and Year:** 1805-NJ5MAP (2018), 1805-NJ5ADM (2018),  
1905-NJ5MAP (2019), 1905-NJ5ADM (2019)  
**Compliance Requirement:** Special Tests and Provisions - Provider Eligibility (Screening  
and Enrollment), Provider Health and Safety Standards  
**Type of Finding:** Significant Deficiency in Internal Control, Noncompliance

**Criteria or specific requirement:**

*Compliance* – 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 (42 USC 1396a(a)(9)) and the providers must make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106).

Providers Health and Safety Standards: Providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/MR (42 CFR pat 442). The standards may be modified in the State plan.

*Control* – Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Health and Human Services (the Department) contracts with a 3<sup>rd</sup> party provider to manage medical provider eligibility. The 3<sup>rd</sup> party provider is responsible for verifying providers’ license statuses and that providers meet health and safety standards. We noted that medical provider files maintained by the 3<sup>rd</sup> party contractor did not consistently support providers’ eligibility and compliance with the State’s health and safety standards in accordance with federal and state requirements. The following was noted:

- One provider license expired September 30, 2015 and an updated, active license was not obtained and on file;
- Five provider files did not contain the provider agreement checklist.

**Context:**

Of the 60 samples selected for testing, the active license status for one provider was not available for review and five files were missing the provider agreement checklist.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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**Questioned costs:**

Undetermined.

**Cause:**

Internal controls of the 3<sup>rd</sup> party provider were ineffective in ensuring that all required documentation was obtained and maintained in provider files. The Department's controls over the 3<sup>rd</sup> party contractor were ineffective in detecting the errors.

**Effect:**

Medicaid claims may be paid to ineligible providers which may result in unallowed program costs. The Department is not compliant with the State's plan for Medicaid.

**Recommendation:**

We recommend that the Department continue to review the 3<sup>rd</sup> party provider's procedures for determining and documenting provider eligibility and compliance with related State and Federal requirements. The Department should periodically review provider files to determine if all required documentation is maintained in the files.

**Views of responsible officials:**

Accepted. The DHS Division of Medical Assistance and Health Services (DMAHS) acknowledges the outstanding issues related to expired provider licenses. Access to data files, which would provide current licensure data to DXC Technology, has not been available from the State's licensing agencies. Although continuing efforts to outreach providers by sending a license expiration letter to providers 45 days prior to the license expiration date have been less than successful. Access concerns, which would result from denying claims for expired licenses, have discouraged State efforts to deny claims because of expired licenses. It is important to note that State expectations are that providers are properly licensed, but have failed to communicate this information to DXC Technology. Licensure information for all enrolling providers and those subject to revalidation are screened in accordance with ACA requirements.

A recent decision shall capture licensure information available from PECOS, NPPES and the MCO database. PECOS/DEX does not provide full licensure information. However, the match rate with NPPES was approximately 90 percent, which is intended to be the primary source for licensure data. MCO provider network files would be the secondary source of license data. In addition, DXC will expand the existing MMIS license number field to be able to capture a full license number.

System modifications to address the licensure issue shall include:

- Addition of a new 'fully-capable' license field to MMIS;
- Displaying the new license field on line as part of the NJMMIS Provider Reference File;
- A 'one-time' update to the new field will be made from the NPPES/MCO files.
- Provider Enrollment reports shall be created;
- A system-generated provider letter shall be generated to notify providers of their inactive licensure status. This letter would replace manual interventions currently required by DXC Technology to communicate these letters to providers.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2019**

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**Section III – Federal Award Findings and Questioned Costs (continued)**

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- A new edit will be created for billing, servicing providers with a pend disposition. One edit shall be created for servicing providers and one edit shall be created for billing providers. Claims would be pended and recycled. If a provider does not submit a new license by the close of the pended claim period, DXC Technology shall deny any requests for claim payments.
- Providers shall be notified by Medicaid Newsletter regarding the importance of communicating to DXC Technology current license information to avoid unnecessary denials of FFS claim payments.

The anticipated target date for completion of this project is July 1, 2020.

The provider Checklist for five providers was not available for review.

- DXC Technology Provider Enrollment Unit shall complete a Provider Checklist for the five (5) providers identified by the audit. For three of the five identified it should be noted that DDD is a sister State Division; Horizon NJ Health is one of five (5) Medicaid contracted managed care organizations and Woodbine is a State-owned Developmental Center. For these institutional providers, the Checklist shall be applied to the fullest extent possible.