



STATE OF NEW JERSEY

Single Audit Report

Year ended June 30, 2013

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

Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance Required by OMB Circular A-133,
Audits of States, Local Governments, and Non-Profit Organizations

STATE OF NEW JERSEY

Year ended June 30, 2013

Table of Contents

	Page
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	1-2
Schedule of Expenditures of Federal Awards	3-10
Notes to Schedule of Expenditures of Federal Awards	11-13
Independent Auditors' Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	14-17
Schedule of Findings and Questioned Costs	18-118
Management's Corrective Action Plan	119-139



KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

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

The Governor
State of New Jersey:

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of Federal awards of the State of New Jersey for the year ended June 30, 2013, and the related notes (the schedule).

Management's Responsibility for the Schedule

Management is responsible for the preparation and fair presentation of this schedule in accordance with U.S. generally accepted accounting principles; 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 the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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.

Opinion

In our opinion, the schedule of expenditures of federal awards referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2013, in accordance with the cash basis of accounting described in Note 2.



Basis of Accounting

We draw attention to Note 2 to the schedule of expenditures of Federal awards, which describes the basis of accounting. The schedule of expenditures of Federal awards is prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matter

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

KPMG LLP

Short Hills, New Jersey
March 26, 2014

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 1,625,787	—
10.069	Conservation Reserve Program	201,766	201,766
10.163	Market Protection and Promotion	41,951	—
10.170	Specialty Crop Block Grant Program – Farm Bill	822,471	443,137
10.171	Organic Certification Cost Share Programs	23,720	—
10.304	Homeland Security – Agricultural	55,964	—
10.311	Beginning Farmer and Rancher Development Program	17,042	—
10.435	State Mediation Grants	10,525	—
10.458	Crop Insurance Education in Targeted States	335,679	—
10.475	Cooperative Agreements with States for Intrastate Meat & Poultry Inspection	94,459	—
	<i>SNAP Cluster:</i>		
10.551	Supplemental Nutrition Assistance Program (nonmonetary)	1,481,058,161	—
10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	140,322,797	117,311,626
	Total SNAP Cluster	1,621,380,958	117,311,626
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	63,136,422	63,136,422
10.555	National School Lunch Program	224,147,199	224,147,199
10.556	Special Milk Program for Children	508,420	508,420
10.559	Summer Food Service Program for Children	8,390,085	8,055,268
	Total Child Nutrition Cluster	296,182,126	295,847,309
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	138,798,951	23,420,519
10.558	Child and Adult Care Food Program	66,552,585	65,642,377
10.560	State Administrative Expenses for Child Nutrition	5,371,852	—
	<i>Food Distribution Cluster:</i>		
10.565	Commodity Supplemental Food Program	207,697	200,000
10.568	Emergency Food Assistance Program (Administrative Costs)	1,602,610	1,055,613
10.569	Emergency Food Assistance Program (Food Commodities)	14,838,467	—
	Total Food Distribution Cluster	16,648,774	1,255,613
10.572	WIC Farmers' Market Nutrition Program (FMNP)	763,909	17,525
10.574	Team Nutrition Grants	164,883	164,883
10.576	Senior Farmers' Market Nutrition Program	786,082	13,493
10.579	Child Nutrition Discretionary Grant Limited Availability	113,004	—
10.582	Fresh Fruit and Vegetable Program	3,717,317	3,674,616
10.664	Cooperative Forestry Assistance	1,093,923	157,829
10.680	Forest Health Protection	157,414	—
10.773	Rural Business Opportunity Grants	17,127	17,127
10.913	Farm and Ranch Lands Protection Program	563,242	563,242
10.914	Wildlife Habitat Incentive Program (WHIP)	18,803	—
	Total U.S. Department of Agriculture	2,155,560,314	508,731,062
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	136,635	—
11.413	Fishery Products Inspection and Certification	115	—
11.419	Coastal Zone Management Administration Awards	2,219,519	20,000
11.441	Regional Fishery Management Councils	1,089,018	—
11.463	ARRA – Habitat Conservation	386,291	—
11.472	Unallied Science Program	169,854	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	556,487	—
11.555	Public Safety Interoperable Communications Grant Program	7,934,201	726,940
11.557	ARRA - Broadband Technology Opportunities Program (BTOP)	688,705	—
11.558	ARRA – State Broadband Data and Development	1,498,721	—
	Total U.S. Department of Commerce	14,679,546	746,940
	U.S. Department of Defense:		
12.217	Electronic Absentee Systems for Elections	450,090	—
12.401	National Guard Military Operations and Maintenance (O&M) Projects	20,070,409	—
12.401	ARRA – National Guard Military Operations and Maintenance (O&M) Projects	49,261	—
	Total National Guard Military Operations and Maintenance (O&M) Projects	20,119,670	—
12.CON	Contractual Agreements	83,465	83,465
12.UNA	Unassigned Catalog Numbers from Federal Government	2,465,930	—
	Total U.S. Department of Defense	23,119,155	83,465

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Housing and Urban Development:		
	<i>CDBG – State-Administered Small Cities Program Cluster:</i>		
14.228	Community Development Block Grants/State's Programs	\$ 16,119,533	9,954,921
	Total CDBG – State-Administered Small Cities Program Cluster	16,119,533	9,954,921
14.231	Emergency Solutions Grants Program	1,981,809	1,891,925
14.235	Supportive Housing Program	941,731	69,451
14.238	Shelter Plus Care	1,866,094	—
14.239	Home Investment Partnerships Program	6,620,708	3,038,742
14.241	Housing Opportunities for Persons with AIDS	1,654,174	(150,000)
14.401	Fair Housing Assistance Program – State and Local	155,397	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	7,077,770	—
	Total Section 8 Project-Based Cluster	7,077,770	—
	<i>Housing Voucher Cluster:</i>		
14.871	Section 8 Housing Choice Vouchers	223,832,138	129,384
14.879	Mainstream Vouchers	57,047	—
	Total Housing Voucher Cluster	223,889,185	129,384
14.UNA	Unassigned Catalog Numbers from Federal Government	10,406,974	10,117,812
	Total U.S. Department of Housing and Urban Development	270,713,375	25,052,235
	U.S. Department of the Interior:		
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration Program	7,025,551	—
15.611	Wildlife Restoration and Basic Hunter Education	3,451,020	—
	Total Fish and Wildlife Cluster	10,476,571	—
15.614	Coastal Wetlands Planning, Protection and Restoration Act	283,513	—
15.615	Cooperative Endangered Species Conservation Fund	415,367	—
15.616	Clean Vessel Act	208,186	89,354
15.622	Sport Fishing and Boating Safety Act	61,056	—
15.630	Coastal Program	7,521	—
15.633	Landowner Incentive	268,507	268,507
15.634	State Wildlife Grants	1,579,739	—
15.657	Endangered Species Conservation – Recovery Implementation Funds	18,136	—
15.667	Highlands Conservation Program	1,940,000	—
15.808	U.S. Geological Survey – Research and Data Collection	24,578	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	15,927	—
15.814	National Geological and Geophysical Data Preservation Program	825	—
15.904	Historic Preservation Fund Grants-In-Aid	1,896,305	54,864
15.916	Outdoor Recreation-Acquisition Development and Planning	360,000	—
	Total U.S. Department of the Interior	17,556,231	412,725
	U.S. Department of Justice:		
16.017	Sexual Assault Services Formula Program	272,335	272,335
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry)	252,259	252,259
16.523	Juvenile Accountability Block Grants	803,907	714,969
16.523	Juvenile Accountability Block Grants Pass-Through - Camden County	5,000	—
16.523	Juvenile Accountability Block Grants Pass-Through - Essex County	72,726	—
16.523	Juvenile Accountability Block Grants Pass-Through - Passaic County	24,078	—
	Total Juvenile Accountability Block Grants	905,711	714,969
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	1,862,956	1,482,831
16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	35,152	35,152
16.543	Missing Children's Assistance	141,787	—
16.548	Title V – Delinquency Prevention Program	84,945	80,698
16.550	State Justice Statistics Program for Statistical Analysis Centers	50,000	—
16.554	National Criminal History Improvement Program (NCHIP)	94,981	—
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	16,853	9,732
16.575	Crime Victim Assistance	11,840,813	9,861,920
16.576	Crime Victim Compensation	3,134,683	1,656,339
16.585	Drug Court Discretionary Grant Program	136,192	—
16.588	Violence Against Women Formula Grants	3,682,142	3,098,427
16.593	Residential Substance Abuse Treatment for State Prisoners	362,312	160,431
16.606	State Criminal Alien Assistance Program	3,880,954	—
16.607	Bulletproof Vest Partnership Program	1,106,118	—
16.609	Project Safe Neighborhoods	132,631	92,497
16.727	Enforcing Underage Drinking Laws Program	283,335	265,221

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>JAG Program Cluster:</i>		
16.738	Edward Byrne Memorial Justice Assistance Grant Program	\$ 10,033,952	8,225,681
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	3,650,340	1,941,010
	Total JAG Program Cluster	13,684,292	10,166,691
16.741	DNA Backlog Reduction Program	1,540,001	—
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	579,786	326,476
16.800	ARRA – Internet Crimes against Children Task Force Program (ICAC)	225,211	—
16.801	ARRA – State Victim Assistance Formula Grant Program	59,773	59,773
16.808	ARRA – Edward Byrne Memorial Competitive Grant Program	1,340,417	—
16.812	Second Chance Act Prisoner Reentry Initiative	446,391	86,090
16.813	NICS Act Record Improvement Program	1,081,153	—
16.816	John R. Justice Prosecutors and Defenders Incentive Act	216,542	—
16.CON	Contractual Agreements	945	—
	Total U.S. Department of Justice	47,450,670	28,621,841
	U.S. Department of Labor:		
17.002	Labor Force Statistics	2,213,399	—
17.005	Compensation and Working Conditions	357,103	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service/Wagner-Peyser Funded Activities	19,818,173	—
17.801	Disabled Veterans' Outreach Program (DVOP)	2,197,451	—
17.804	Local Veterans' Employment Representative Program	1,190,761	—
	Total Employment Services Cluster	23,206,385	—
17.225	Unemployment Insurance – Federal	162,257,379	—
17.225	ARRA – Unemployment Insurance – Federal	(202,801)	—
17.225	Unemployment Insurance – State	4,666,429,302	—
	Total Unemployment Insurance	4,828,483,880	—
17.235	Senior Community Service Employment Program	2,145,650	—
17.245	Trade Adjustment Assistance	5,366,333	—
	<i>WIA Cluster:</i>		
17.258	WIA Adult Program	33,507,056	23,628,059
17.259	WIA Youth Activities	18,465,465	18,465,465
17.260	WIA Dislocated Workers	2,557	2,557
17.260	ARRA – WIA Dislocated Workers	613,213	601,116
17.278	WIA Dislocated Worker Formula Grants	26,593,587	23,117,179
	Total WIA Cluster	79,181,878	65,814,376
17.261	WIA Pilots, Demonstrations and Research Projects	204	—
17.271	Work Opportunity Tax Credit Program (WOTC)	390,664	—
17.273	Temporary Labor Certification for Foreign Workers	521,597	—
17.275	ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	3,702,509	3,434,746
17.277	Workforce Investment Act (WIA) National Emergency Grants	6,125,473	5,402,030
17.503	Occupational Safety & Health – State Program	1,870,830	—
17.504	Consultation Agreements	1,752,034	—
17.600	Mine Health and Safety Grants	27,645	—
	Total U.S. Department of Labor	4,955,345,584	74,651,152
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	371,344	—
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	743,411,681	89,343,688
20.205	ARRA – Highway Planning and Construction	44,688,283	39,411,435
20.219	Recreational Trails Program	1,249,342	853,199
	Total Highway Planning and Construction Cluster	789,349,306	129,608,322
20.218	National Motor Carrier Safety	5,141,166	—
20.231	Performance and Registration Information Systems Management	130,189	—
20.232	Commercial Driver License Program Improvement Grant	1,694,384	—
20.234	Safety Data Improvement Program	152,873	—
20.237	Commercial Vehicle Information Systems & Networks	(482,657)	—
20.238	Commercial Drivers License Information System (CDLIS) Modernization Grant	237,766	—
20.505	Metropolitan Transportation Planning	288,506	—

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	\$ 4,327,303	2,255,330
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	2,963,050	2,185,509
20.602	Occupant Protection Incentive Grants	579,206	420,348
20.609	Safety Belt Performance Grants	3,300	3,300
20.610	State Traffic Safety Information System Improvement Grants	542,301	12,352
20.612	Incentive Grant Program to Increase Motorcyclist Safety	12,587	12,325
20.613	Child Safety and Child Booster Seats Incentive Grants	304,129	226,788
	Total Highway Safety Cluster	8,731,876	5,115,952
20.700	Pipeline Safety Program Base Grants	106,307	37,452
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	391,291	192,731
20.720	State Damage Prevention Program Grants	5,206	—
20.721	PHMSA Pipeline Safety Program One Call Grant	37,850	—
20.CON	Contractual Agreements – Fatal Accident Reporting System	210,985	—
	Total U.S. Department of Transportation	806,366,392	134,954,457
	National Foundation on the Arts and the Humanities:		
45.025	Promotion of the Arts – Partnership Agreements	838,357	461,810
45.301	Museums for America	50,294	—
	Total National Foundation on the Arts and the Humanities	888,651	461,810
	U.S. Small Business Administration:		
59.061	State Trade and Export Promotion Pilot Grant Program	654	—
59.UNA	Unassigned Catalog Numbers from Federal Government	41,427	—
	Total U.S. Small Business Administration	42,081	—
	U.S. Department of Veterans Affairs:		
64.005	Grants to States for Construction of State Home Facilities	637,537	—
64.009	Veterans Medical Care Benefits	1,108,767	1,108,767
64.024	VA Homeless Providers Grant and Per Diem Program	27,756,876	—
64.101	Burial Expenses Allowances for Veterans	736,450	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	546,804	—
64.203	State Cemetery Grants	6,066,361	—
	Total U.S. Department of Veterans Affairs	36,852,795	1,108,767
	U.S. Environmental Protection Agency:		
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	721,308	—
66.040	State Clean Diesel Grant Program	519,753	—
66.454	Water Quality Management Planning	535,998	186,198
66.454	ARRA – Water Quality Management Planning	30,031	30,031
	Total Water Quality Management Planning	566,029	216,229
66.458	Capitalization Grants for Clean Water State Revolving Funds	88,006,227	84,677,191
66.460	Nonpoint Source Implementation Grants	41,340	—
66.461	Regional Wetland Program Development Grants	26,943	—
66.463	Water Quality Cooperative Agreements	1,167	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	21,710,599	19,095,705
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	26,703	26,703
	Total Capitalization Grants for Drinking Water State Revolving Funds	21,737,302	19,122,408
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	825,891	531,064
66.472	Beach Monitoring & Notification Program Implementation Grant	347,825	176,829
66.474	Water Protection Grants to the States	30,996	—
66.605	Performance Partnership Grants	20,235,631	3,865,807
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	10,962	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	26,030	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	204,103	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	245,936	—
66.708	Pollution Prevention Grants Program	7,048	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	28,160	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	1,070,328	—
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	794,000	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,539,385	—
66.805	ARRA – Leaking Underground Storage Tank Trust Fund Corrective Action Program	358,440	—
	Total Leaking Underground Storage Tank Trust Fund Corrective Action Program	1,897,825	—
66.815	Environmental Workforce Development and Job Training Cooperative Agreements	100,223	99,942
66.817	State and Tribal Response Program Grants	683,777	—
	Total U.S. Environmental Protection Agency	138,128,804	108,689,470

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Energy:		
81.041	State Energy Program	\$ 1,307,231	—
81.041	ARRA – State Energy Program	5,626,200	4,519,224
	Total State Energy Program	6,933,431	4,519,224
81.042	Weatherization Assistance for Low-Income Persons	474,858	393,504
81.042	ARRA – Weatherization Assistance for Low-Income Persons	24,230,749	22,080,336
	Total Weatherization Assistance for Low-Income Persons	24,705,607	22,473,840
81.087	ARRA – Renewable Energy Research and Development	133,458	—
81.119	ARRA – State Energy Program Special Projects	81,028	81,028
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	448,336	—
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	784,418	—
81.ADM	Administration Costs Consolidations	1,018,111	—
	Total U.S. Department of Energy	34,104,389	27,074,092
	U.S. Department of Education:		
84.002	Adult Education – Basic Grants to States	13,541,400	11,753,594
	<i>Title I, Part A Cluster:</i>		
84.010	Title I Grants to Local Educational Agencies	307,425,140	300,189,458
84.389	ARRA – Title I Grants to Local Educational Agencies, Recovery Act	3,892,222	3,892,222
	Total Title I, Part A Cluster	311,317,362	304,081,680
84.011	Migrant Education: State Grant Program	2,543,271	2,397,402
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	2,326,647	776,298
	<i>Special Education Cluster (IDEA):</i>		
84.027	Special Education – Grants to States	348,688,152	328,195,078
84.173	Special Education – Preschool Grants	10,730,541	10,452,684
	Total Special Education Cluster (IDEA)	359,418,693	338,647,762
84.032	Federal Family Education Loan Program	90,491,911	—
84.048	Career and Technical Education – Basic Grants to States	22,918,463	20,610,166
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	58,150,353	8,282,163
84.144	Migrant Education – Coordination Program	137,362	39,995
84.169	Independent Living - State Grants	436,951	436,951
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	1,039,105	1,039,105
84.181	Special Education – Grants for Infants and Families	10,744,973	7,996,719
84.184	Safe & Drug-Free Schools and Communities - National Programs	1,250,000	1,250,000
84.186	Safe and Drug-Free Schools and Communities: State Grants	359,350	169,695
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	667,459	128,146
84.196	Education for Homeless Children and Youth	1,093,144	945,850
84.213	Even Start - State Educational Agencies	162,357	127,894
84.224	Assistive Technology	444,967	444,967
84.243	Tech-Prep Education	78,056	—
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-service Training	105,934	—
84.282	Charter Schools	921,881	794,808
84.287	Twenty-First Century Community Learning Centers	20,582,855	20,191,631
84.293	Foreign Language Assistance	44,982	—
	<i>Education Technology State Grants Cluster:</i>		
84.318	Education Technology State Grants	573,795	555,561
84.386	ARRA – Education Technology State Grants, Recovery Act	223,341	178,145
	Total Education Technology State Grants Cluster	797,136	733,706
84.330	Advanced Placement Program	356,596	—
84.331	Grants to States for Workplace and Community Transition Training for Incarcerated Individuals	25,020	—
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	4,543,088	4,226,701
	<i>Teacher Quality Partnership Grants Cluster:</i>		
84.336	Teacher Quality Enhancement Grants	96,830	—
	Total Teacher Quality Partnership Grants Cluster	96,830	—
84.358	Rural Education	14,551	14,605
84.365	English Language Acquisition State Grants	21,035,318	19,895,381
84.366	Mathematics and Science Partnerships	3,483,715	3,330,323
84.367	Improving Teacher Quality State Grants	54,187,621	52,109,576
84.369	Grants for State Assessments and Related Activities	8,773,641	—
84.371	Striving Readers	7,293	—
	<i>Statewide Data Systems Cluster:</i>		
84.372	Statewide Data Systems	32,458	—
	Total Statewide Data Systems Cluster	32,458	—

STATE OF NEW JERSEY
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
	<i>School Improvement Grants Cluster:</i>		
84.377	School Improvement Grants	\$ 11,136,986	10,335,286
84.388	ARRA – School Improvement Grants	24,966,147	24,966,147
	Total School Improvement Grants Cluster	36,103,133	35,301,433
84.378	College Access Challenge Grant Program	1,642,982	1,260,727
84.410	Education Jobs Fund	55,017,220	54,617,880
84.413	ARRA – Race To The Top	7,472,348	4,896,409
84.CON	Contractual Agreements – National Center Educational Statistics	131,312	—
	Total U.S. Department of Education	1,092,497,738	896,501,567
	U.S. Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	3,810,587	—
	Total U.S. Election Assistance Commission	3,810,587	—
	U.S. Department of Health and Human Services:		
93.041	Special Programs for the Aging: Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	40,235	—
93.042	Special Programs for the Aging: Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	595,314	—
93.043	Special Programs for the Aging: Title III, Part D - Disease Prevention and Health Promotion Services	500,633	500,633
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B - Grants for Supportive Services and Senior Centers	8,313,213	8,313,213
93.045	Special Programs for the Aging - Title III, Part C: Nutrition Services	15,189,700	13,637,401
93.053	Nutrition Services Incentive Program	2,786,181	2,786,181
	Total Aging Cluster	26,289,094	24,736,795
93.048	Special Programs for the Aging - Title IV & Title II - Discretionary Projects	151,142	19,085
93.051	Alzheimer's Disease Demonstration Grants to States	259,203	230,586
93.052	National Family Caregiver Support, Title III, Part E	3,532,129	3,431,938
93.069	Public Health Emergency Preparedness	15,269,558	8,060,941
93.070	Environmental Public Health and Emergency Response	647,925	230,824
93.072	Lifespan Respite Care Program	40,179	1,260
93.086	Healthy Marriage Promotion & Responsible Fatherhood Grants	613,940	7,155
93.089	Emergency System for Advance Registration of Volunteer Health Professionals	125,254	—
93.090	Guardian Assistance	486,383	—
93.090	ARRA - Guardianship Assistance	11,026	—
	Total Guardianship Assistance	497,409	—
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	1,189,615	1,111,355
93.103	Food and Drug Administration - Research	249	—
93.110	Maternal and Child Health Federal Consolidated Programs	642,379	235,780
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	4,293,448	2,918,998
93.127	Emergency Medical Services for Children	173,154	—
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	217,111	53,464
93.136	Injury Prevention and Control Research and State and Community Based Programs	1,501,480	1,084,780
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	94,818	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	2,317,472	2,245,440
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,323,778	2,103,300
93.165	Grants to States for Loan Repayment Program	240,000	—
93.217	Family Planning Services	1,886,740	1,583,811
93.235	Affordable Care Act (ACA) Abstinence Education Program	922,830	688,379
93.240	State Capacity Building	528,463	—
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,453,178	839,110
93.251	Universal Newborn Hearing Screening	250,775	94,693
93.262	Occupational Safety and Health Program	441,390	—
93.268	Immunization Cooperative Agreements	6,062,688	1,870,085
93.268	Immunization Cooperative Agreements (nonmonetary)	66,461,933	—
	Total Immunization Cooperative Agreements	72,524,621	1,870,085
93.270	Adult Viral Hepatitis Prevention and Control	69,945	—
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	8,033,911	3,612,318
93.296	State Partnership Grant Program to Improve Minority Health	153,903	60,336
93.414	ARRA – State Primary Care Offices	83,496	585
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	7,653,963	7,453,477
93.507	PPHF 2012 National Health Improvement Initiative	1,405,004	58,742
93.509	Affordable Care Act (ACA) State Health Care Workforce Development Grants	40,120	—
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	749,962	—
93.518	Affordable Care Act - Medicare Improvements for Patients and Providers	35,413	—
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	668,849	—

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)s Exchanges	\$ 376,327	—
93.538	Affordable Care Act – National Environmental Public Health Tracking Program		
	Network Implementation	737,176	—
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building		
	Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed		
	in part by 2012 Prevention and Public Health Funds	544,092	157,883
93.548	PPHF2013: State Nutrition, Physical Activity, and Obesity Programs - financed in part by 2013 PPHF	858,026	669,833
93.556	Promoting Safe and Stable Families	4,774,265	4,504,311
	<i>TANF Cluster:</i>		
93.558	Temporary Assistance for Needy Families	322,173,479	116,969,853
93.714	ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families		
	(TANF) State Programs	204,231	204,231
	Total TANF Cluster	322,377,710	117,174,084
93.563	Child Support Enforcement	168,403,668	25,739,060
93.563	ARRA – Child Support Enforcement	3,489,605	—
	Total Child Support Enforcement	171,893,273	25,739,060
93.566	Refugee and Entrant Assistance - State Administered Programs	3,226,568	1,486,903
93.568	Low-Income Home Energy Assistance	149,319,630	15,426,222
93.569	Community Services Block Grant	18,998,099	18,434,810
93.710	ARRA – Community Services Block Grant	(857)	(857)
	Total Community Services Block Grant	18,997,242	18,433,953
	<i>CCDF Cluster:</i>		
93.575	Child Care and Development Block Grant	78,415,458	15,893,260
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	56,429,724	18,795,968
	Total CCDF Cluster	134,845,182	34,689,228
93.576	Refugee and Entrant Assistance - Discretionary Grants	121,278	62,500
93.586	State Court Improvement Program	673,091	—
93.590	Community Based Child Abuse Prevention Grants	4,205,731	4,141,634
93.597	Grants to States for Access and Visitation Programs	227,696	—
93.599	Chafee Education and Training Vouchers Program (ETV)	751,313	751,313
93.600	Head Start	165,827	—
93.708	ARRA – Head Start	546,623	—
	Total Head Start	712,450	—
93.605	Family Connection Grants	45,129	—
93.617	Voting Access for Individuals with Disabilities - Grants to State	281,141	138,176
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,108,501	430,796
93.643	Children’s Justice Grants to States	389,257	364,050
93.645	Stephanie Tubbs Jones Child Welfare Services Program	5,007,001	—
93.658	Foster Care – Title IV-E	54,126,659	6,205,351
93.659	Adoption Assistance	51,038,808	—
93.659	ARRA - Adoption Assistance	103,687	—
	Total Adoption Assistance	51,142,495	—
93.667	Social Services Block Grant	68,342,445	36,575,292
93.669	Child Abuse and Neglect State Grants	976,976	976,976
93.671	Family Violence Prevention and Services/Grants for Battered Women’s		
	Shelters - Grants to States and Indian Tribes	2,437,969	2,437,969
93.674	Chafee Foster Care Independence Program	2,412,448	2,388,952
93.713	ARRA – Child Care and Development Block Grant	516,585	516,585
93.725	ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program	39,622	—
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education		
	Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	132,027	71,174
93.735	State Public Health Approaches for Ensuring Quiltline Capacity – Funded in part by 2012 Prevention and		
	Public Health Funds (PPHF-2012)	83,665	—
93.744	PPHF 2012: Breast and Cervical Cancer Screening Opportunities for States, Tribes and Territories solely		
	financed by 2012 Prevention and Public Health Funds	217,234	217,234
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral		
	Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)	55,220	—
93.767	Children’s Health Insurance Program	594,610,019	40,831,970
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of		
	People With Disabilities	166,644	—
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	3,131,843	—
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	12,093,067	—
93.778	Medical Assistance Program	5,553,092,591	64,404,750
93.778	ARRA – Medical Assistance Program	(6,809,044)	—
	Total Medicaid Cluster	5,561,508,457	64,404,750

STATE OF NEW JERSEY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

Federal CFDA number	Federal agency/program title or cluster	Amounts	
		Expenditures	Passed through to subrecipients
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	\$ 1,327,560	802,582
93.791	Money Follows the Person Rebalancing Demonstration	4,681,371	4,394,221
93.889	National Bioterrorism Hospital Preparedness Program	8,572,666	4,859,926
93.913	Grants to States for Operation of Offices of Rural Health	137,316	126,761
93.917	HIV Care Formula Grants	49,305,255	7,365,761
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	603,573	—
93.926	Healthy Start Initiative	325,122	179,434
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	453,963	12,893
93.940	HIV Prevention Activities: Health Department Based	16,324,664	11,211,215
93.941	HIV Demonstration, Research, Public and Professional Education Project	(75,046)	—
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	1,811	—
93.944	Human Immunodeficiency Virus (HIV) Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	3,827,375	—
93.946	Cooperative Agreements to Support State Based Safe Motherhood and Infant Health Initiative Programs	279,070	—
93.958	Block Grants for Community Mental Health Services	15,080,930	14,922,014
93.959	Block Grants for Prevention and Treatment of Substance Abuse	45,653,090	41,738,595
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	3,247,411	73,067
93.982	Mental Health Disaster Assistance and Emergency Mental Health	1,146,684	1,110,020
93.991	Preventive Health and Health Services Block Grant	1,705,906	642,951
93.994	Maternal and Child Health Services Block Grant to the States	10,705,040	3,937,300
93.CON	Contractual Agreement	3,250,521	260,000
93.UNA	Unassigned Catalog Numbers from Federal Government	31,353	45,000
	Total U.S. Department of Health and Human Services	<u>7,483,284,261</u>	<u>533,711,809</u>
	Corporation for National and Community Service:		
94.003	State Commissions	305,508	—
94.004	Learn and Serve America - School and Community Based Programs	64,156	57,500
94.006	AmeriCorps	2,763,156	2,476,177
94.007	Program Development and Innovation Grants	76,107	—
94.009	Training & Technical Assistance	53,507	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	613,224	479,576
	Total Foster Grandparents/Senior Companion Cluster	<u>613,224</u>	<u>479,576</u>
	Total Corporation for National and Community Service	<u>3,875,658</u>	<u>3,013,253</u>
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security – Disability Insurance	58,285,802	—
	Total Disability Insurance/SSI Cluster	<u>58,285,802</u>	<u>—</u>
96.UNA	Unassigned Catalog Numbers from Federal Government	1,877	—
	Total Social Security Administration	<u>58,287,679</u>	<u>—</u>
	U.S. Department of Homeland Security:		
97.008	Non-Profit Security Program	1,654,131	1,606,611
97.012	Boating Safety Financial Assistance	3,544,999	—
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	465,859	—
97.029	Flood Mitigation Assistance	290,331	290,331
97.032	Crisis Counseling	3,269,036	3,219,304
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	274,125,633	230,650,792
97.039	Hazard Mitigation Grant	10,041,949	9,712,580
97.041	National Dam Safety Program	114,065	—
97.042	Emergency Management Performance Grants	6,756,571	538,594
97.045	Cooperating Technical Partners	1,108,600	—
97.047	Pre-Disaster Mitigation	87,289	—
97.052	Emergency Operations Center	2,336,239	2,336,239
97.055	Inoperable Communications Equipment	2,313,024	612,966
97.056	Port Security Grant Program	11,162,443	823,942
97.067	Homeland Security Grant Program	72,866,375	50,083,364
97.078	Buffer Zone Protection Plan (BZPP)	1,759,281	1,361,565
97.088	Disaster Assistance Projects	1,028,028	1,000,000
97.089	Driver's License Security Grant Program	1,151,630	—
97.091	Homeland Security Biowatch Program	447,960	—
97.092	Repetitive Flood Claims	771,696	771,696
97.106	Securing the Cities	345,565	(5,071)
97.110	Severe Repetitive Loss Program	6,570,214	1,954,122
97.116	ARRA - Port Security Grant Program	1,095,988	432,600
	Total U.S. Department of Homeland Security	<u>403,306,906</u>	<u>305,389,635</u>
	Totals	<u>\$ 17,545,870,816</u>	<u>2,649,204,280</u>

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

STATE OF NEW JERSEY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(1) **Basis of Presentation**

(a) ***Reporting Entity***

The schedule of expenditures of Federal awards (the Schedule) includes all Federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2013. The State of New Jersey financial reporting entity is described in note 1B of the State's Comprehensive Annual Financial Report. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey, as defined above, for the year ended June 30, 2013.

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

The State of New Jersey administers the Federal Family Education Loan Program – Guaranty Program (FFELP). During the fiscal year ended June 30, 2013 there were no new loans guaranteed. Loans repurchased during the year and administrative costs amounted to \$77,906,563 and \$12,585,348 respectively and are included in the accompanying Schedule. The principal outstanding for guaranteed loans as of June 30, 2013 was \$2,871,357,921. The loans guaranteed under the FFELP in previous years are not included in the accompanying Schedule.

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

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

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

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

STATE OF NEW JERSEY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(e) American Recovery and Reinvestment Act (ARRA)

Included in the accompanying schedule are ARRA expenditures related to adjustments recorded in the current fiscal year to correct expenditures incurred and claimed in prior fiscal years. The following table represents the applicable programs, CFDA numbers, and respective expenditures:

Federal CFDA number	Federal agency/program title or cluster	Expenditures	Passed through to subrecipients
17.225	Unemployment Insurance - Federal	\$ (202,801)	—
93.563	Child Support Enforcement	3,489,605	—
93.710	ARRA - Community Services Block Grant	(857)	(857)
93.778	Medical Assistance Program	(6,809,044)	—

(2) Basis of Accounting

(a) General

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

(b) Highway Planning and Construction Program

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

(c) Nonmonetary Federal Awards

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

(3) Matching Costs

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

(4) Relationship to Federal Financial Reports

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

STATE OF NEW JERSEY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(5) Contingencies

The State of New Jersey's participation in Federal funding is subject to review by the U.S. Department of Health and Human Services (HHS) as cognizant agency. HHS coordinates the review of findings and questioned costs with other Federal agencies. HHS and the other Federal agencies determine the ultimate allowability of expenditures charged to the Federal grants. The State of New Jersey is unable to determine the amounts, if any, that Federal agencies will disallow. Any impact as a result of these matters will be reflected in the Schedule of Expenditures of Federal Awards and recognized by the respective Federal program when amounts can be determined.

The State of New Jersey is a party to various legal actions arising in the ordinary course of business. While it is not possible at this time to predict the ultimate outcome of these actions, any impact as a result of these matters will be reflected in the Schedule of Expenditures of Federal Awards and recognized by the respective Federal program when amounts can be determined.



KPMG LLP
New Jersey Headquarters
51 John F. Kennedy Parkway
Short Hills, NJ 07078-2702

**Independent Auditors' Report on Compliance for Each Major Program and
Report on Internal Control Over Compliance Required by OMB Circular A-133,
*Audits of States, Local Governments, and Non-Profit Organizations***

The Governor
State of New Jersey:

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2013. The State's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Adverse Opinion on the Medicaid Cluster

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the Medicaid Cluster (CFDA 93.775, 93.777, 93.778) as described in finding number 2013-001 for subrecipient monitoring. Compliance with such requirement is necessary, in our opinion, for the State to comply with the requirements applicable to that program.



Adverse Opinion on Medicaid Cluster

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the State did not comply in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended June 30, 2013.

Basis for Qualified Opinion

As described in Findings 2013-002, 2013-005, 2013-006, 2013-008, 2013-009, 2013-010, 2013-011, 2013-012, 2013-014, 2013-015, 2013-020, 2013-021, 2013-026, 2013-030, and 2013-034 in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the following:

Federal awarding agency	State administering agency	Federal program (CFDA number)	Compliance requirement	Finding number
Department of Health and Human Services	Department of Human Services	TANF Cluster (93.558, 93.714)	Subrecipient Monitoring	2013-002
Department of Health and Human Services	Department of Human Services Department of Labor and Workforce Development	TANF Cluster (93.558, 93.714)	Special Tests and Provisions	2013-005
Department of Agriculture Department of Health and Human Services	Department of Human Services	SNAP Cluster (10.551, 10.561)/ Child Support Enforcement (93.563)/Children's Health Insurance Program (93.767)/ Medicaid Cluster (93.775, 93.777, 93.778)	Reporting	2013-006
Department of Health and Human Services	Department of Human Services	TANF Cluster (93.558, 93.714)	Reporting	2013-008
Department of Agriculture Department of Health and Human Services	Department of Human Services	SNAP Cluster (10.551, 10.561)/ TANF Cluster (93.558, 93.714)/Child Support Enforcement (93.563)/ Children's Health Insurance Program (93.767)	Subrecipient Monitoring	2013-009
Department of Agriculture Department of Health and Human Services	Department of Human Services	SNAP Cluster (10.551, 10.561)/ TANF Cluster (93.558, 93.714)	Suspension and Debarment	2013-010
Department of Health and Human Services	Department of Human Services Department of Children and Families	TANF Cluster (93.558, 93.714)	Suspension and Debarment, Subrecipient Monitoring	2013-011
Department of Health and Human Services	Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse (93.959)	Suspension and Debarment, Subrecipient Monitoring	2013-012
Department of Education	Department of Human Services	Rehabilitation Services - Vocational Rehabilitation Grants to States (84.126)	Activities Allowed or Unallowed/Allowable Costs/Cost Principles	2013-014
Department of Health and Human Services	Department of Human Services Department of Children and Families	Social Services Block Grant (93.667)	Subrecipient Monitoring	2013-015



<u>Federal awarding agency</u>	<u>State administering agency</u>	<u>Federal program (CFDA number)</u>	<u>Compliance requirement</u>	<u>Finding number</u>
Department of Education	Department of Education	School Improvement Grants Cluster (including ARRA) (84.377, 84.388)	Subrecipient Monitoring/ Special Tests and Provisions	2013-020
Department of Agriculture Department of Health and Human Services	Department of Health	Special Supplemental Nutrition Program for Women, Infants, and Children (10.557)/Immunization Cooperative Agreements (93.268)/HIV Care Formula Grants (93.917)	Reporting	2013-021
Department of Health and Human Services	Department of Health	HIV Care Formula Grants (93.917)	Suspension and Debarment, Subrecipient Monitoring	2013-026
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)	Subrecipient Monitoring	2013-030
Department of Homeland Security	Department of Law and Public Safety	Disaster Grants - Public Assistance (Presidentially Declared Disasters) (97.036)	Cash Management	2013-034

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to that program.

Qualified Opinion

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 the major programs listed in the table above for the year ended June 30, 2013.

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 for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-004, 2013-007, 2013-013, 2013-016, 2013-017, 2013-019, 2013-022, 2013-023, 2013-024, 2013-025, 2013-027, 2013-029, 2013-031, 2013-032, 2013-36, 2013-037, 2013-038, 2013-039, and 2013-040. Our opinion on each major federal 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 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 the responses.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be 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 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 2013-001, 2013-002, 2013-005, 2013-006, 2013-008, 2013-009, 2013-010, 2013-011, 2013-012, 2013-014, 2013-015, 2013-020, 2013-021, 2013-026, 2013-030, 2013-034, and 2013-035 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 2013-003, 2013-004, 2013-007, 2013-013, 2013-016, 2013-017, 2013-018, 2013-019, 2013-022, 2013-023, 2013-024, 2013-025, 2013-027, 2013-028, 2013-029, 2013-031, 2013-032, 2013-033, 2013-036, 2013-037, 2013-038, 2013-039, and 2013-040 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 the responses.

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

KPMG LLP

Short Hills, New Jersey
March 26, 2014

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

(1) Summary of Auditor's Results

Basic Financial Statements

- (a) An unqualified opinion was issued by the State Auditor, State of New Jersey, on the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2013.
- (b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses or significant deficiencies as reported in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2013.
- (c) The audit by the State Auditor, State of New Jersey disclosed no instances of noncompliance which are material to the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2013.

Single Audit

- (d) This audit of Federal financial assistance disclosed material weaknesses and significant deficiencies which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2013.
- (e) The type of report issued on compliance for major programs:

Adverse:

Medicaid Cluster

Qualifications:

Supplemental Nutrition Assistance Program Cluster
Temporary Assistance for Needy Families Cluster
Child Support Enforcement
Children's Health Insurance Program
Block Grant for the Prevention and Treatment of Substance Abuse
Rehabilitation Services - Vocational Rehabilitation Grants to States
Social Services Block Grant
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Special Supplemental Nutrition Program for Women, Infants and Children
HIV Care Formula Grants
Immunization Cooperative Agreements
School Improvement Grants Cluster (including ARRA)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

The opinions for all other major programs are unmodified.

- (f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2013.
- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2013 were as follows:

U.S. Department of Agriculture:

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

U.S. Department of Housing and Urban Development:

- Housing Voucher Cluster (14.871, 14.879)

U.S. Department of Labor:

- Unemployment Insurance (including ARRA) (17.225)
- Workforce Investment Act (WIA) Cluster (17.258, 17.259, 17.260, 17.278)

U.S. Department of Transportation:

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

U.S. Environmental Protection Agency:

- Capitalization Grants for Clean Water State Revolving Funds (66.458)

U.S. Department of Education:

- Title I, Part A Cluster (84.010, 84.389)
- Special Education Cluster (IDEA) (84.027, 84.173)
- Federal Family Education Loan Program (84.032)
- Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)
- Improving Teacher Quality State Grants (84.367)
- Education Jobs Fund (84.410)

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- School Improvement Grants Cluster (including ARRA) (84.377, 84.388)

U.S. Department of Health and Human Services:

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

Social Security Administration:

- Disability Insurance/SSI Cluster (96.001)

U.S. Department of Homeland Security:

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

- (h) The dollar threshold used to distinguish between type A and type B programs was \$30,625,843 for Federal awards for the year ended June 30, 2013.
- (i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2013.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

The State Auditor, State of New Jersey issued under separate cover the report in accordance with *Government Auditing Standards*. The State Auditor did not identify any deficiencies in internal control that were considered to be material weaknesses and no significant deficiencies were reported. Additionally, the report disclosed no instances of noncompliance or other matters that were required to be reported under *Government Auditing Standards*.

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

See appendix of findings items 2013-001 to 2013-040.

APPENDIX OF FINDINGS

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13)

State Agency: Department of Human Services

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

Finding: 2013-001 Subrecipient Monitoring

Finding Type: Adverse, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Condition

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

The Department's subrecipient monitoring procedures over eligibility determinations and redeterminations at the CWAs relies on reviews performed by the Bureau of Quality Control (BQC). The BQC performed 895 of 1,044 MEQC eligibility reviews for Medicaid benefits paid on behalf of eligible individuals to providers for the period of July 1, 2012 through June 30, 2013 (State fiscal year 2013). The 895 reviews were an improvement from the prior year in which there were 300 cases reviewed by the BQC. During State fiscal year 2013, the Department began running redetermination monitoring reports to determine the percentage of redeterminations performed and entered into the system at the CWAs. As of June 2013, the average redetermination percentage performed has reached 76% for all CWAs.

Despite actions taken by the Department to address the prior year findings, we noted for a sample of ninety-five State fiscal year 2013 Medicaid beneficiaries selected for testwork at the CWAs, the following:

- For eight beneficiaries selected for testwork, the CWA was unable to provide the file to support the eligibility determination made. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2013 were \$100,811. We consider these payments to be questioned costs.
- For seven beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility within the case file. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2013 were \$46,913. We consider these payments to be questioned costs.
- For seven beneficiaries selected for testwork, the current year redetermination was not performed within the twelve month period after the prior year redetermination or there was no evidence of a prior year redetermination being performed. Furthermore, for one of the seven beneficiaries, the file did not contain proof of income to support the current year redetermination. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2013 were \$38,427. We consider these payments to be questioned costs.
- For seven beneficiaries selected for testwork, there was no evidence of a current or prior year redetermination of eligibility within the case file. Total Medicaid benefits paid on behalf of these individuals during State fiscal year 2013 were \$5,741. We consider these payments to be questioned costs.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Total program expenditures for Medicaid included on the Schedule of Expenditures of Federal Awards were \$5,561,508,457 for State fiscal year 2013.

A similar finding was included in the 2012, 2011, 2010, 2009, 2008 and 2007 prior year single audit reports as items 12-1, 11-2, 10-1, 09-1, 08-1, and 07-42, respectively.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

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

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

State Agency: Department of Human Services

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

Finding: 2013-002 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Condition

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

For a sample of forty Quality Control Unit review cases selected for testwork at the Department, the following was noted:

- For twenty of the forty review cases, the Quality Control Unit noted missing documentation (the application, the Cooperation with Child Support form, the Individual Responsibility Plan or the Agreement to Repay), a procedural error was documented within the review file and a request was sent to the CWA requesting the documentation. However, no additional follow up communication was made to the CWA informing them that all required documentation must be kept on record to support eligibility determinations made. Total TANF benefits paid to these individuals during State fiscal year 2013 were \$139,292.
- For five of the forty review cases, the Quality Control Unit noted the CWA made an improper decision and sent a corrective action letter (Form 551B) to the CWA informing them of their error. However, no additional follow up was performed to ensure that the CWA corrected the issue and recouped any payments made to that individual in error. Total TANF benefits paid to these individuals during State fiscal year 2013 were \$22,257.

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

- For eight beneficiaries selected for testwork, there was no evidence of a current year redetermination of eligibility in the case file. Total TANF benefits paid to these individuals during State fiscal year 2013 were \$61,853. We consider these payments to be questioned costs.
- For nine beneficiaries selected for testwork, the current year redetermination was not performed within the twelve month period after the prior year redetermination or there was no evidence of a prior year redetermination within the case file. Total TANF benefits paid to these individuals during State fiscal year 2013 were \$60,470. We consider these payments to be questioned costs.
- For four beneficiaries selected for testwork, there was no evidence of a current year or prior year redetermination of eligibility in the case file. Total TANF benefits paid to these individuals during State fiscal year 2013 were \$14,141. We consider these payments to be questioned costs.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For one beneficiary selected for testwork, the file did not contain proof of U.S. citizenship or qualified alien status nor did it contain a valid social security number to support the eligibility determination. Total TANF benefits paid to this individual during State fiscal year 2013 were \$805. We consider these payments to be questioned costs.
- For one beneficiary selected for testwork, the CWA determined that the beneficiary was ineligible for TANF based on income exceeding the limit; however one month of payment was made to the beneficiary. Total TANF benefits paid to this individual during State fiscal year 2013 were \$616. We consider this payment to be a questioned cost.

Total program expenditures for the TANF Cluster included on the Schedule of Expenditures of Federal Awards were \$322,377,710.

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-43 and 11-6, respectively.

Cause

Support for eligibility determinations and redeterminations were not in the files at the CWAs. The Department is not properly following up with the CWAs for procedural errors nor are they following up on incorrect eligibility decisions to ensure that proper corrective action is taken by the CWA.

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

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

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

SNAP Cluster (10.551, 10.561)

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 0801NJTANF (10/1/07 – 9/30/08), 0901NJTANF (10/1/08 – 9/30/09), 1001NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

State Agency: Office of Information Technology
Department of Human Services

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

Finding: 2013-003 Other Requirements – Information Technology General Controls

Finding Type: Significant deficiency

Criteria

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

Condition

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

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

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

- During State fiscal year 2013, there were 253 users ID's that were assigned to individuals with access to HUB Data Center Server Room (houses FAMIS Production Systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks. In addition, all individuals with access to the Print Facility are able to freely enter and exit the Data Center Server Room due to not having a locked door between both rooms. Additionally,

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

there is an emergency exit door at the far corner which can be opened without an alarm. This door can be unlocked only from inside but no surveillance system is installed in this area.

- During State fiscal year 2013, there were 244 users ID's that were assigned to individuals with access to the OARS Data Center Server Room (houses FAMIS related backup systems). The number of individuals with such access seems excessive based on job responsibilities to maintain servers and networks.

2. *Accountability for Access*

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

3. *Disaster Recovery*

- The existing Disaster Recovery Plan over FAMIS does not reflect State fiscal year 2013 changes and has not been tested during State fiscal year 2013.

4. *Appropriateness of Access*

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

5. *Password Settings*

- Our review noted that specific requirements for passwords on the Windows network (such as minimum length, complexity, etc.) are not outlined in the OIT password policy. Additionally it was noted that the password complexity setting is disabled on the Windows domain hosting OIT network.

A similar finding was included in the 2012, 2011, 2010, 2009, 2008 and 2007 prior year single audit reports as items 12-51, 11-15, 10-12, 09-10, 08-44 and 07-8, respectively.

Cause

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

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

2. *Accountability for Access*

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

3. *Disaster Recovery*

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

4. *Appropriateness of Access*

- System limits segregation of duties, where individuals can only be given access as a Case Worker or a Supervisor. Individuals can get access at both levels that enables them to review as well as release/update benefit applications.

5. *Password Settings*

- The OIT password policy (OC# 17-2005) does not outline specific requirements for password parameters (such as minimum length, complexity, expiration, etc.) on the Windows network.

Effect

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

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

2. *Accountability for Access*

- Activities performed by using the generic user account cannot be traced to an individual, leading to a lack of accountability on accounts that have powerful access.

3. *Disaster Recovery*

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

4. *Appropriateness of Access*

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

5. *Password Settings*

- A lack of password complexity on the network may lead to unauthorized access and the underlying systems vulnerable to security breaches.

Recommendation

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

- We recommend that OIT perform the following with regard to access to the Data Center:
 - Provide access to only those individuals that require access based on their job responsibility.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- Perform reviews of users that can access the Data Center and Server Room on a periodic basis for appropriateness or unauthorized access.
- Install alarm or surveillance camera system on the emergency exit door.

2. *Accountability for Access*

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

3. *Disaster Recovery*

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

4. *Appropriateness of Access*

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

5. *Password Settings*

- We recommend that the OIT password policy (OC# 17-2005) be updated to include specific requirements for password settings (such as minimum length, complexity, etc.) commensurate with the risk of unauthorized access.

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

0605NJ5028 (10/1/05 – 9/30/06), 0705NJ5028 (10/1/06 – 9/30/07), 0805NJ5028 (10/1/07 – 9/30/08), 0905NJ5028 (10/1/08 – 9/30/09), 1005NJ5MAP (10/1/09 – 9/30/10), 1105NJ5MAP (10/1/10 – 9/30/11), 1205NJ5MAP (10/1/11 – 9/30/12), 1305NJ5MAP (10/1/12 – 9/30/13)

State Agency: Department of Human Services

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

Finding: 2013-004 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Provider Eligibility

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

Condition

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

For one of the forty providers selected for testwork, the signed agreement did not disclose all of the required information as noted in 42 CFR 455, nor was a follow up performed by Molina to retrieve that information.

Cause

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

Effect

The Department enrolled a provider without obtaining all required disclosures.

Recommendation

We recommend that the Department strengthen procedures to ensure all documentation is properly obtained and review it to determine completeness, prior to processing eligibility.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

State Agency: Department of Human Services

Department of Labor and Workforce Development

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

Finding: 2013-005 Special Tests and Provisions

Finding Type: Qualified, Material Weakness

Criteria

Penalty for Failure to Comply with Work Verification Plan

The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

Condition

The State of New Jersey's (the State) current New Jersey Temporary Assistance for Needy Families Work Verification Plan, approved by U.S. Department of Human and Health Services, became effective on October 1, 2008. The plan specifies the following:

- The Department of Human Services, Division of Family Development (DFD) will provide quality assurance reviews and quality control oversight by reviewing a sample of 370 cases annually to verify the attendance in activities other than paid employment.
- The Department of Labor and Workforce Development (DLWD) will conduct an annual statewide monitoring review, from a random Management Information System (AOSOS) sampling of 5% of the total TANF recipients actively participating in work activities to ensure accuracy of the data utilized in the work participation rates.

Based on our testwork performed, DFD performed only 128 of the minimum 370 cases indicated in the plan during State fiscal year 2013. In addition, DLWD did not perform the annual statewide monitoring review sampling of 5% of active TANF participants as specified in the State Work Verification Plan.

Cause

During State fiscal year 2013, DFD had federally mandated reviews for the SNAP and CCDF Clusters, whereas resources from the Work Verification Unit were shifted in order to complete them.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Although the DLWD has undertaken a number of services reviews of TANF participant activities and vendor performance, a formal review of 5% of the actively participating recipients was not included in their procedures.

Effect

DLWD and DFD are not properly monitoring the work activities being undertaken by actively participating TANF recipients; therefore their work participation rate may not be accurate.

Recommendation

We recommend that DFD strengthen their policies and procedures to ensure compliance with their respective part of the Work Verification Plan. Furthermore, we recommend that the DLWD enhance their policies and procedures to include the 5% sampling of actively participating TANF recipients in order to comply with the existing Work Verification Plan.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirement.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

SNAP Cluster (10.551, 10.561)

Child Support Enforcement (93.563)

Children's Health Insurance Program (93.767)

Medicaid Cluster (93.775, 93.777, 93.778)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13), 1205NJ5021 (10/1/11 – 9/30/13), 1305NJ5021 (10/1/12 – 9/30/14), 1205NJ5ADM (10/1/11 – 9/30/12), 1305NJ5ADM (10/1/12 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 2013-006 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Condition

The Department of Human Services (the Department) is responsible for the administration of the SNAP Cluster, Child Support Enforcement Program, Children’s Health Insurance Program and the Medicaid Cluster in the State of New Jersey (the State). Each of these programs utilizes the County Welfare Agencies (CWAs) to provide administrative assistance in terms of eligibility determinations, documentation intake and client interactions on behalf of the State. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2013 for applicable CWA subawards subject to FFATA.

A similar finding was included in the 2012 prior year single audit report as item 12-47.

Cause

The Department does not have procedures in place to ensure they meet the reporting requirements of FFATA as it relates to CWA subawards.

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management’s corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

CCDF Cluster (93.575, 93.596)

Grant Award Numbers and Years:

1001NJCCDF (10/1/09 – 9/30/12), 1101NJCCDF (10/1/10 – 9/30/13), 1201NJCCDF (10/1/11 – 9/30/14), 1301NJCCDF (10/1/12 – 9/30/15)

State Agency: Department of Human Services

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

Finding: 2013-007 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Federal Funding Accountability and Transparency Act

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) is responsible for the administration of the CCDF Cluster in the State of New Jersey (the State). Funds are passed through to Child Care Resource and Referral Agencies (CCR&Rs) each federal fiscal year. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA) by the end of the month subsequent to the

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

month during which the funds were obligated. The Department obligated subawards greater than \$25,000 in October 2012. The FFATA reports for these subawards were due by the end of November 2012, but were not submitted until October 2013.

Cause

The Department does not have procedures in place to ensure they report FFATA reports timely.

Effect

The Department did not submit FFATA reports timely.

Recommendation

We recommend that the Department implement procedures to ensure timely FFATA reporting.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

State Agency: Department of Human Services

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

Finding: 2013-008 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Human Services (the Department) is responsible for the administration of the TANF Cluster in the State of New Jersey (the State). It utilizes the County Welfare Agencies (CWAs) to provide administrative assistance in terms of eligibility determinations, documentation intake and client interactions on behalf of the State. The Department has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2013 for applicable CWA subawards subject to FFATA.

In addition to the subawards passed through to the CWAs, funds are passed through to various other subrecipients to assist in achieving the programmatic goals. During State fiscal year 2013, the Department has implemented a process as it relates to preparing and submitting FFATA reports related to these subrecipients. Based on our selection of 13 of these subawards for testwork, the following was noted:

- For 11 of the 13 subawards, the Department submitted the reports between 2 and 7 months late.
- For 2 of the 13 subawards, the Department did not submit the FFATA report.
- For 5 of the 13 subawards, the Department incorrectly reported the subaward obligation date.

A similar finding was included in the 2012 prior year single audit report as item 12-47.

Cause

The Department does not have procedures in place to ensure they report subawards through FSRS timely and accurately.

Effect

The Department did not submit FFATA reports timely and accurately.

Recommendation

We recommend that the Department implement procedures to ensure timely and accurate FFATA reporting.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

SNAP Cluster (10.551, 10.561)

TANF Cluster (93.558, 93.714)

Child Support Enforcement (93.563)

Children's Health Insurance Program (93.767)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 0801NJTANF (10/1/07 – 9/30/08), 0901NJTANF (10/1/08 – 9/30/09), 1001NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13), 1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13), 1205NJ5021 (10/1/11 – 9/30/13), 1305NJ5021 (10/1/12 – 9/30/14)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 2013-009 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Human Services (the Department) enters into subaward agreements with County Welfare Agencies (CWAs) in order to administer the SNAP Cluster, the TANF Cluster, the Child Support Enforcement program, and the Children's Health Insurance Program in the State of New Jersey (the State).

During our testwork, the following was noted:

- For all eight subrecipients selected, the Department did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to these subrecipients during State fiscal year 2013 were as follows: SNAP Cluster - \$51,163,121, TANF Cluster - \$18,694,757, Child Support Enforcement program - \$17,927,414 and the Children's Health Insurance Program - \$13,364,926.

Total funds passed through to subrecipients during State fiscal year 2013 were as follows: SNAP Cluster - \$117,311,626, TANF Cluster - \$117,174,084, Child Support Enforcement program – \$25,739,060 and the Children's Health Insurance Program - \$40,831,970.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department does not have policies or procedures in place to communicate the required Federal award information and applicable compliance requirements to the CWAs.

Effect

Failing to include the federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also potential for subrecipients to have incomplete SEFAs in their OMB Circular A-133 Single Audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Single Audit Act and OMB Circular A-133.

Recommendation

We recommend that the Department implement policies and procedures to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

SNAP Cluster (10.551, 10.561)

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

1NJ400404 (10/1/11 – 9/30/13), 1NJ400434 (10/1/11 – 9/30/14), 0801NJTANF (10/1/07 – 9/30/08), 0901NJTANF (10/1/08 – 9/30/09), 1001NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 2013-010 Suspension and Debarment

Finding Type: Qualified, Material Weakness

Criteria

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

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

Condition

The Department of Human Services (the Department) enters into contracts with County Welfare Agencies (CWAs) in order to administer the SNAP Cluster and the TANF Cluster in the State of New Jersey (the State).

During our testwork, the following was noted:

- For all eight subrecipients selected, the Department did not verify the entity's suspension or debarment status by checking the Excluded Parties List System (EPLS) or collecting a certification from the entity. Total funds passed through to these subrecipients during State fiscal year 2013 were as follows: SNAP Cluster - \$51,163,121 and TANF Cluster - \$18,694,757.

Total funds passed through to subrecipients during State fiscal year 2013 were as follows: SNAP Cluster - \$117,311,626 and TANF Cluster - \$117,174,084.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department does not have policies or procedures in place to check a CWA's suspension or debarment status prior to entering into a subaward agreement.

Effect

The Department may be entering into subaward agreements with CWAs that are suspended or debarred.

Recommendation

We recommend that the Department strengthen their policies and procedures to ensure they determine if a CWA is suspended or debarred prior to entering into a subaward agreement.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

TANF Cluster (93.558, 93.714)

Grant Award Numbers and Years:

0801NJTANF (10/1/07 – 9/30/08), 0901NJTANF (10/1/08 – 9/30/09), 1001NJTANF (10/1/09 – 9/30/10), 1102NJTANF (10/1/10 – 9/30/11), 1202NJTANF (10/1/11 – 9/30/12), 1302NJTANF (10/1/12 – 9/30/13)

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

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

Finding: 2013-011 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Suspension and Debarment

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

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

Subrecipient Monitoring

A pass-through entity is responsible for:

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

During-the-Award Monitoring

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

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

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

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

Condition

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

During our testwork over TANF, the following was noted:

- For all eighteen contracts selected for testwork, the contract did not contain a suspension or debarment certification, nor did the Department verify on the Excluded Parties List System (EPLS) and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transaction with them.
- For all eighteen contracts selected for testwork, the contract did not contain any communication of the required Federal award information and applicable compliance requirements. Total funds passed through to these subrecipients during State fiscal year 2013 were \$3,116,821.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For six of the eighteen contracts selected for testwork, the Department did not perform a monitoring visit over the subrecipient during the contract period. Total funds passed through to these subrecipients during State fiscal year 2013 were \$1,360,732.

Total funds passed through to subrecipients during State fiscal year 2013 were \$117,174,084.

A similar finding was included in the 2012 prior year single audit report as item 12-42.

Cause

The award documentation included in the subrecipient contracts does not contain the required information necessary for the State to properly ensure that these subrecipients are in compliance with all Federal requirements for funding provided. Also, the Department does not have policies or procedures in place to check a subrecipient's suspension or debarment status prior to entering into a subaward agreement.

Effect

Failing to include the federal grant award information at the time of award may cause subrecipients and their auditors to be uninformed about specific program and other regulations that apply to the funds they receive. There is also potential for subrecipients to have incomplete SEFAs in their OMB Circular A-133 Single Audit reports and federal funds may not be properly audited at the subrecipient level in accordance with the Single Audit Act and OMB Circular A-133. The Department may be entering into subaward agreements with entities that are suspended or debarred.

Recommendation

We recommend that the Department include all required information during the awarding process to subrecipients to ensure they are made aware of all necessary Federal award information and compliance requirements related to the programs they administer on behalf of the State. Further, we recommend that the Department strengthen their policies and procedures to ensure they determine if a subrecipient is suspended or debarred prior to entering into a subaward agreement.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirements.

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Number and Year:

13B1NJSAPT (10/1/12 – 9/30/14)

State Agency: Department of Human Services

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

Finding: 2013-012 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Suspension and Debarment

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

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

Subrecipient Monitoring

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Human Services (the Department) enters into contracts with various subrecipients in order to administer the Block Grants for Prevention and Treatment of Substance Abuse (PTSA) program in the State of New Jersey (the State).

During our testwork over the PTSA program, the following was noted:

- For four out of twenty-five subrecipients selected for testwork, there was no suspension and debarment certification included in the contract files. Total payments to those four subrecipient were \$2,002,763.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For twenty-one out of twenty-five subrecipients selected for testwork, the Department did not identify to the subrecipient at the time of the award all required Federal award information (i.e., CFDA title and number; award name and number) as required by the subrecipient monitoring requirement stated above. Total payments to the twenty-one subrecipients were \$14,207,825.

Total funds passed through to subrecipients during State fiscal year 2013 were \$41,738,595.

Cause

The award documentation included in the subrecipient contracts does not contain the required information necessary for the State to properly ensure that these subrecipients are in compliance with all Federal requirements for funding provided.

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for. Also, federal funds could be granted to subrecipients that have been suspended or debarred.

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Child Support Enforcement (93.563)

Grant Award Numbers and Years:

1104NJ4004 (10/1/10 – 9/30/11), 1204NJ4005 (10/1/11 – 9/30/12), 1304NJ4005 (10/1/12 – 9/30/13)

State Agency: Department of Human Services

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

Finding: 2013-013 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

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

Condition

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the New Jersey Kids Deserve Support (NJKiDS) system. The Department of Human Services prepares quarterly reconciliations to compare the net undistributed collections for the quarter from the OCSE 34A report to the child support bank account. After the preparation of reconciliations there are remaining irreconcilable differences, which vary on a quarterly basis. As of June 30, 2013, the unreconciled difference was \$3.5 million. The Department of Human Services identified possible general reasons for the differences which cannot be substantiated.

A similar finding was included in the 2012, 2011, 2010, 2009, 2008, 2007, 2006, 2005, 2004, 2003,, 2002, 2001, and 2000 prior year single audit reports as items 12-46, 11-9, 10-6, 09-7, 08-2, 07-5, 06-1, 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

Cause

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

Effect

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

Recommendation

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126)

Grant Award Numbers and Years:

H126A110044 (10/1/10 – 9/30/11), H126A120044-12C (10/1/11 – 09/30/12), H126A130044 (10/1/12 – 9/30/13)

State Agency: Department of Human Services

Federal Agency: U.S. Department of Education

Finding: 2013-014 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Finding Type: Qualified, Material Weakness

Criteria

Activities Allowed or Unallowed

1. Participation in a One-Stop Service Delivery System

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

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

Allowable Costs/Cost Principles

Central Service CAPs

- (1) The central service CAP must include all central service costs that will be claimed (either as an allocated or a billed cost) under Federal awards. Costs of central services omitted from the CAP will not be reimbursed.
- (2) The documentation requirements for all central service CAPs are contained in A-87, Attachment C, paragraph E. All plans and related documentation used as a basis for claiming costs under Federal awards

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

must be retained for audit in accordance with the record retention requirements contained in the A-102 Common Rule.

Condition

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

The Department of Human Services, Commission for the Blind and Visually Impaired (CBVI) is one of two State of New Jersey agencies responsible for the administration of the Vocational Rehabilitation Cluster. During our testwork over the CAPs, CBVI did not prepare or submit to the Department the quarterly CAPs for the quarters ending December 31, 2012, March 31, 2013 and June 30, 2013.

Total program expenditures related to the Department were \$13,543,622 for State fiscal year 2013.

A similar finding was included in the 2012, 2011, 2010, 2009, and 2008 prior year single audit reports as items 12-49, 11-11, 10-10, 09-6, and 08-7, respectively.

Cause

Cost allocation plans were not prepared for the quarters ending December 31, 2012, March 31, 2013 and June 30, 2013 due to understaffing and a lack of adequately trained staff to assist in the preparation of the reports.

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Social Services Block Grant (93.667)

Grant Award Numbers and Years:

2011G992342 (10/1/10 – 9/30/12), 2012G992342 (10/1/11 – 9/30/13), 2013G992342 (10/1/12 – 9/30/14)

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

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

Finding: 2013-015 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

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

Condition

The Department of Human Services (DHS) is the prime recipient of the Social Services Block Grant (SSBG) at the State of New Jersey (the State). County Welfare Agencies (CWAs) are budgeted SSBG funds in order to administer the SSBG program and DHS is responsible for the fiscal monitoring of the funds. The Department of Children and Families (DCF) is responsible for the programmatic monitoring of the CWAs.

During our testwork, the following was noted:

- For all eight subrecipients selected, DCF did not communicate any of the required Federal award information and applicable compliance requirements to the subrecipient. Total funds passed through to these subrecipients during State fiscal year 2013 were \$12,153,752.
- For two subrecipients selected, DCF did not monitor the subrecipients using random moment studies. Total funds passed through to these subrecipients during State fiscal year 2013 were \$6,818,400.

Total funds passed through to subrecipients during State fiscal year 2013 were \$36,575,292.

Cause

The Department does not have policies or procedures in place to communicate the required Federal award information and applicable compliance requirements to the CWAs or to properly monitor the activities.

Effect

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

Recommendation

We recommend that the Departments implement policies and procedures to ensure communication of Federal award information and compliance requirements to all subrecipients prior to authorizing an award. Further, we recommend the Departments strengthen their subrecipient monitoring procedures to ensure random moment studies are performed over all CWAs.

Related Noncompliance

Based on the above, the Departments were not in compliance with the above requirement.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Social Services Block Grant (93.667)

Grant Award Numbers and Years:

2011G992342 (10/1/10 – 9/30/12), 2012G992342 (10/1/11 – 9/30/13), 2013G992342 (10/1/12 – 9/30/14)

State Agency: Department of Human Services

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

Finding: 2013-016 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

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

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

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

§ 96.74 Annual reporting requirements.

(a) *Annual report.* In accordance with [42 U.S.C. 1397e](#), each state must submit an annual report to the Secretary by the due dates specified in § [96.17](#) of this part. The annual report must cover the most recently completed fiscal year and, except for the data in paragraphs (a) (1) through (4) of this section, may be submitted in the format of the state's choice. The annual report must address the requirements in section 2006(a) of the Act, include the specific data required by section 2006(c), and include other information as follows:

- (1) The number of individuals who receive services paid for in whole or in part with federal funds under the Social Services Block Grant, showing separately the number of children and the number of adults who received such services (section 2006(c)(1));
- (2) The amount of Social Services Block Grant funds spent in providing each service, showing separately for each service the average amount spent per child recipient and per adult recipient (section 2006(c)(2));

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- (3) The total amount of federal, state and local funds spent in providing each service, including Social Services Block Grant funds;
- (4) The method(s) by which each service is provided, showing separately the services provided by public agencies, private agencies, or both (section 2006(c)(4)); and
- (5) The criteria applied in determining eligibility for each service such as income eligibility guidelines, sliding fee scales, the effect of public assistance benefits, and any requirements for enrollment in school or training programs (section 2006(c)(3)).

(b) *Reporting requirement.*

- (1) Each state must use the uniform definitions of services in appendix A of this part, categories 1-28, in submitting the data required in paragraph (a) of this section. Where a state cannot use the uniform definitions, it should report the data under category 29, "Other Services." The state's definitions of each of the services listed in category 29 must be included in the annual report.
- (2) Each state must use the reporting form issued by the Department to report the data required in paragraphs (a) (1) through (4) of this section.
- (3) In reporting recipient and expenditure data, each state must report actual numbers of recipients and actual expenditures when this information is available. For purposes of this report, each state should, if possible, count only a single recipient for each service. States should also consider a service provided to a recipient for the length of the reporting period (one year) or any fraction thereof as a single service. Data based on sampling and/or estimates will be accepted when actual figures are unavailable. Each state must indicate for each service whether the data are based on actual figures, sampling, or estimates and must describe the sampling and/or estimation process(es) it used to obtain these data in the annual report. Each state must also indicate, in reporting recipient data, whether the data reflects an unduplicated count of recipients.
- (4) Each state must use category 30, "Other Expenditures," to report non-service expenditures. Only total dollar amounts in this category are required, i.e., they need not be reported by recipient count or cost per adult/child. This will include carry over balances, carry forward balances, funds transferred to or from the SSBG program, and administrative costs as defined by the state.
- (5) Each state must use its own definition of the terms "child" and "adult" in reporting the data required in paragraphs (a) (1) through (5) of this section.
- (6) Each state's definition of "child" and "adult" must be reported as a part of the eligibility criteria for each service required in paragraph (a)(5) of this section. The data on eligibility criteria may be submitted in whatever format the state chooses as a part of its annual report.

(c) *Transfer of computer data.* In addition to making the annual report available to the public and to the Department, a state may submit the information specified in paragraphs (a) (1) through (4) of this section using electronic equipment. A full description of procedures for electronic transmission of data, and of the availability of computer diskettes, is included in appendix B to this part. [58 FR 60129, Nov. 15, 1993].

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Condition

The Department of Human Services (DHS) is the prime recipient of the Social Services Block Grant (SSBG) and responsible for reporting of the expenditures to the Federal Government. Through an Inter-Departmental Memorandum of Agreement, funding is budgeted to various other Departments and Divisions within DHS. To prepare the annual Post-Expenditure Report DHS requires each Department to prepare and submit their departments' respective expenditures for the State fiscal year. The Departments expenditures should also be reconcilable to the amounts for each department as included in the underlying support for the SEFA.

Our testwork noted the Departments did not properly report expenditures on their Post-Expenditure Reports to DHS which resulted in the incorrect Post Expenditure Report submitted to the Federal Government for the State fiscal year ended June 30, 2013. Following are the results of the incorrect reporting:

- The Division of Family Development, DHS under reported expenditures by \$218,217.
- The Division of Aging Services, DHS, over reported expenditures by \$35,694.
- The Department of Children and Families under reported the expenditures associated with the Temporary Assistance for Needy Families (TANF) transfer to SSBG by \$2,940,189.

Additionally, there is no review performed by DHS to ensure the amounts reported by the Departments/Divisions are correct and no follow up is performed when amounts are reported incorrectly.

Cause

The Departments do not properly communicate their respective expenditures to DHS for its annual preparation and submission of the Post-Expenditure Report and there is no review or follow up on the Departments/Divisions reporting to ensure they are correct by DHS.

Effect

The expenditures reported to the Federal government in the Post-Expenditure report were incorrect.

Recommendation

We recommend that DHS implement procedures to review the other Departments/Divisions expenditures to ensure they are properly reported prior to submission of the Post-Expenditure Report.

Related Noncompliance

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

Questioned Costs

\$35,694

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Disability Insurance/SSI Cluster (96.001)

Grant Award Numbers and Years:

DDDCOMB2012 (10/1/11 – 9/30/12), DDDCOMB2013 (10/1/12 – 9/30/13)

State Agency: Department of Labor and Workforce Development

Federal Agency: Social Security Administration

Finding: 2013-017 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

SSA-871, *State Agency Schedule for Equipment Purchases for SSA Disability Programs* – This report is due quarterly to account for disbursements for EDP and non-EDP equipment purchases within a quarter (POMS DI 39506.250).

Condition

The Department of Labor and Workforce Development (the Department) is responsible for the administration of the Disability Insurance/SSI Cluster (DI/SSI) in the State of New Jersey. The Department is required to submit the SSA-871 report on a quarterly basis for any quarter that has equipment purchases. This report needs to be approved and certified prior to submission.

The Department failed to submit the SSA-871 report for the quarters ended September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013 for Grant Award Number DDDCOMB2012 and for the quarter ended June 30, 2013 for Grant Award Number DDDCOMB2013.

Cause

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

Effect

The required SSA-871 reports were not submitted to the federal government for the quarters ended September 30, 2012, December 31, 2012, March 31, 2013 and June 30, 2013.

Recommendation

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

Related Noncompliance

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

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Unemployment Insurance (17.225)

Grant Award Numbers and Years:

UI-22328-12-55-A-34 (10/1/11 – 9/30/12), UI-23907-13-55-A-34 (10/1/12 – 9/30/13)

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

Federal Agency: U.S. Department of Labor

Finding: 2013-018 Other Requirements – Information Technology General Controls

Finding Type: Significant deficiency

Criteria

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

Condition

The State of New Jersey (the State), Office of Information Technology (OIT) oversees the mainframes, servers, networks, and databases that make up the state's technical infrastructure, which includes the New

Jersey Local Office On-line Payment System (NJLOOPS) databases and IBM mainframes. As part of OIT's oversight for NJLOOPS, OIT develops and maintains a general information technology (IT) control environment to ensure the overall effectiveness of the application controls directly associated with NJLOOPS.

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

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

1. *Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)*
 - Data Center Access is not limited only to individuals that require access to the SAC and OARS server room. OIT shares the SAC data center where critical NJLOOPS systems are held with other State Agencies. During the course of our testwork, there were 375 individuals that can access the SAC data center room where servers are housed. Additionally, during the course of our testwork, it was noted that 244 individuals have access to the OARS recovery site data center. It was noted that

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

access to the data center server room is not restricted to only those that have assigned responsibilities for which they require access to the data center.

2. *Appropriateness of Access*

- Periodic review of end user accounts for appropriateness is not performed for NJLOOPS. This review has not been performed in the past, therefore although controls related to granting, changing, and terminating access may be appropriate currently, there is a potential that some users of the system may continue to have access in NJLOOPS that they no longer require.
- Certain individuals that have access to the development environment also have access to make changes to the production environment in NJLOOPS. Therefore, there is no segregation of duties in this area. Additionally, there are no change monitoring controls in place.
- Our review of users with access to benefit calculation table in NJLOOPS application noted two users that are not part of the Unemployment Insurance (UI) group have update access to the benefit calculation table.

3. *Mainframe Changes*

- A formalized change management procedure is not consistently followed for IBM Mainframe operating system changes.

4. *Change Request Approvals and Testing*

- A formalized process for change management that includes a detailed description of requests, approvals, development method and testing is not consistently followed. In addition, while reviewing a sample of program changes made in NJLOOPS, it was noted that 5, out of 25 samples, did not have formally documented initial approval, for 3 out of 25 samples, evidence of testing was not documented, and for 2 out of 25 samples, evidence of approval to migrate changes to production was not documented.

5. *Disaster Recovery*

- A Disaster Recovery plan over NJLOOPS is not in place and has not been tested during State fiscal year 2013.

6. *Data Backup Procedures and Failed Backup Resolution*

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

7. *Password Settings*

- Our review noted that specific requirements for passwords on the Windows network (such as minimum length, complexity, etc.) are not outlined in the OIT password policy. Additionally, it was noted that the password complexity setting is disabled on the Windows domain hosting OIT network.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-35 and 11-1, respectively.

Cause

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

- Formalized procedures for the review of individuals that have access to the Data Center to validate that they require access to the Server Room are not developed and a review is not conducted.

2. *Appropriateness of Access*

- A user account review was not performed to validate appropriateness of access for end users.
- The system does not enforce segregation of duties, where individuals can only be given access to the development environment or the production environment in NJLOOPS. Individuals can get access at both levels that would enable them to modify and develop code in the development environment and then move that code to production without management review.
- The system does not enforce Segregation of Duties (SOD), where individuals can only be given access to application support and not the benefits calculation table in the NJLOOPS database.

3. *Mainframe Changes*

- Formalized and consistently followed procedures for the development and documentation of approval and evidence of testing for mainframe patches are not in place.

4. *Change Request Approvals and testing*

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

5. *Disaster Recovery*

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

6. *Data Backup Procedures and Failed Backup Resolution*

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

7. *Password Settings*

- The OIT password policy (OC# 17-2005) does not outline specific requirements for password parameters (such as minimum length, complexity, expiration, etc.) on the Windows network.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Effect

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

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

2. *Appropriateness of Access*

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

3. *Mainframe Changes*

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

4. *Change Request Approvals and Testing*

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

5. *Disaster Recovery*

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

6. *Data Backup Procedures and Failed Backup Resolution*

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

7. *Password Settings*

- A lack of password complexity on the network may lead to unauthorized access and the underlying systems vulnerable to security breaches.

Recommendation

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

- We recommend that OIT perform the following with regard to access to the Data Center:
 - Provide access to only those individuals that are required and approved to enter the Data Center.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- Perform reviews of users that can access the Data Center and Server Room on a periodic basis to determine that only appropriate individuals were allowed access to the Data Center and Server Room.

2. *Appropriateness of Access*

- We recommend that access reviews be performed periodically to validate that the individuals that maintain access to the system are appropriately maintained based on their current role within the Department/State. In addition, user accounts should be timely disabled or deleted on termination or transfer out of the Department/State.
- We recommend that there be segregation of duties in accounts where the same individuals do not have access to make changes both in the development environment and the production environment.
- We recommend that there be segregation of duties in accounts whereby users outside the UI group (such as application support) do not have access to the benefits calculation table within the NJLOOPS database.

3. *Mainframe Changes*

- We recommend that OIT consistently follow change management procedures related to IBM Mainframe operating system changes.

4. *Change Request Approvals and Testing*

- We recommend that a consistent process be followed to document approval and testing of programs and the documentation be retained.

5. *Disaster Recovery*

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

6. *Data Backup Procedures and Failed Backup Resolution*

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

7. *Password Settings*

- We recommend that the OIT password policy (OC# 17-2005) be updated to include specific requirements for password settings (such as minimum length, complexity, etc.) commensurate with the risk of unauthorized access.

Related Noncompliance

Not applicable as this is an internal control finding.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Questioned Cost

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

Various

State Agency: Department of Transportation

Federal Agency: U.S. Department of Transportation

Finding: 2013-019 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

Condition

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

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

The Department of Transportation (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients that receive various Federal awards from the State of New Jersey.

During the State fiscal year 2013, one subrecipient was required to submit an OMB Circular A-133 audit report to the Department. We selected this subrecipient’s audit report to ensure that the desk review was performed timely and management decisions, on audit findings noted during the review, were completed and accurately

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

recorded in the GSA system. For this one OMB Circular A-133 report and desk review selected, the Department did not conduct the desk review within the six month period.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure timely receipt and accurate review of the audit reports.

Effect

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

Recommendation

We recommend that the Department implement/enforce procedures to ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports and ensure subrecipient audit reports are timely reviewed.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

School Improvement Grants Cluster (including ARRA) (84.377, 84.388)

Grant Award Number and Year:

S388A090031 (2/17/09 – 9/30/14)

State Agency: Department of Education

Federal Agency: U.S. Department of Education

Finding: 2013-020 Subrecipient Monitoring and Special Tests and Provisions

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

Special Tests and Provisions

R3 – Subrecipient Monitoring

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

Condition

The Department of Education (the Department) did not communicate to its ARRA subrecipients, at the time of the subaward, the ARRA CFDA number (84.388) and amount of ARRA funds provided by the subaward. The non-ARRA CFDA number (84.377) was provided to all subrecipients. The Department also did not communicate the requirement to identify ARRA funds in the SEFA and the SF-SAC to its ARRA subrecipients. The Department passed through \$24,966,147 of ARRA funds for the program to nineteen subrecipients in State fiscal year 2013.

Additionally, the Department did not identify funds as ARRA at the time of disbursement for \$8,622,613 of ARRA funds disbursed to eight subrecipients in State fiscal year 2013.

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Cause

The Department does not have sufficient procedures in place to ensure ARRA award information and requirements are communicated to subrecipients.

Effect

Subrecipients may not be complying with the requirements to separately report ARRA funds on the Schedule of Expenditures of Federal Awards.

Recommendation

We recommend that the Department implement procedures to ensure proper communication of ARRA award information and requirements to subrecipients.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Immunization Cooperative Agreements (93.268)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

12121NJ704W1003 (10/1/11 – 9/30/12), 12121NJ734W5504 (10/1/10 – 9/30/12), 13131NJ704W1003 (10/1/12 – 9/30/13), 11111NJ704W5003 (10/1/10 – 9/30/13), 12121NJ704W5003 (10/1/11 – 9/30/14), 5H23IP222576 (1/1/12 – 12/31/12), 1H23IP000728 (1/1/13 – 12/31/13), X07HA00017-22 (4/1/12 – 3/31/13), X07HA00017-23 (4/1/13 – 3/31/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 2013-021 Reporting

Finding Type: Qualified, Material Weakness

Criteria

Federal Funding Accountability and Transparency Act

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Condition

The Department of Health (the Department) has an obligation to report subaward data as required under the Federal Financial Accountability and Transparency Act (FFATA). This includes entity information, DUNS number, Parent DUNS number, if applicable, and relevant executive compensation data, if applicable. The Department did not address this requirement in State fiscal year 2013.

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-26 and 11-45, respectively.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

12121NJ704W1003 (10/1/11 – 9/30/12), 13131NJ704W1003 (10/1/12 – 9/30/13)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

Finding: 2013-022 Cash Management

Finding Type: Noncompliance, Significant Deficiency

Criteria

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205, which implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-453; 31 USC 6501 *et seq.*), require State recipients to enter into agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for selected large programs. The agreements also specify the terms and conditions in which an interest liability would be incurred. Programs not covered by a Treasury-State Agreement are subject to procedures prescribed by Treasury in Subpart B of 31 CFR part 205 (Subpart B).

Condition

On an annual basis, the State of New Jersey, Office of Management and Budget (the State OMB), enters into a Treasury-State Agreement for programs covered under the CMIA. This agreement specifies terms and conditions for the programs covered under the agreement, including prescribed drawdown methods and clearance patterns. If the State becomes aware of the need to make changes to the agreement, it is required to be communicated to the Federal Department of the Treasury within 30 days.

The Department of Health (the Department) is responsible for drawing funds for the Special Supplemental Nutrition Program for Women, Infants and Children (the WIC program), which is covered under the Treasury-State Agreement for State fiscal year 2013. For subrecipient payments, the agreement specifies that draws should occur, so that Federal funds are received 8 days after the disbursement of State funds. For all subrecipient payment draws performed during State fiscal year 2013, the Department drew the funds 4 days after the disbursement of State funds.

As the funding technique is interest neutral, there is no State interest liability for the difference in the clearance pattern used and the one agreed upon.

Cause

The Department failed to review the Treasury-State Agreement.

Effect

The Department is not drawing funds in accordance with the Treasury-State Agreement.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation

We recommend that the Department draw and disburse Federal funds in accordance with the Treasury-State Agreement and report any changes to the State OMB to ensure that such changes are reported to the Federal Government within the required timeframe.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

12121NJ704W1006 (10/1/11 – 9/30/12), 12121NJ704R1006 (10/1/12 – 9/30/13), 13131NJ704W1006 (10/1/12 – 9/30/13)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

Finding: 2013-023 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Food Instrument and Cash-Value Voucher Disposition

A State agency must account for all Food Instruments (FIs) issued within 120 days of the FI's first valid date for participant use. This requirement also applies to Cash-Value Vouchers (CVVs). The State agency must identify all FIs and CVVs as either issued or voided; and identify issued FIs and CVVs as either redeemed or unredeemed. Redeemed FIs and CVVs must be identified as one of the following: (1) validly issued, (2) lost or stolen, (3) expired, (4) duplicate, or (5) not matching valid enrollment and issuance records. State agencies generally do this by analyzing computer reports that provide detailed issuance and redemption information on each FI and CVV. In an Electronic Benefit Transfer (EBT) system, however, this requirement may be met by linking the Primary Account Number associated with the electronic transaction to valid enrollment and issuance records. EBT systems aggregate benefits for all participants in a family or household. Therefore, the benefits issued shall match benefits redeemed only at the aggregate (household or family) level. The State agency's management information system shall account for individual participant benefits aggregated for any family or household (7 CFR section 246.12(q)).

Review of Food Instruments and Cash-Value Vouchers to Enforce Price Limitations and Detect Errors

State agency operating a retail food delivery system must take the following actions to ensure that payments of WIC food funds to vendors conform to program regulations and the State agency's vendor and farmer agreements:

- a. *FI and CVVs Review Process* – The State agency must have in place a process for reviewing all, or a representative sample of, FIs and CVVs submitted by vendors for redemption. For EBT systems, this would be a daily automated reconciliation process with follow-up procedures to resolve any discrepancies identified. The review is done on an aggregate basis rather than on a vendor or farmer basis. Because of the wide disparity in the number of FIs and CVVs processed by State agencies, there are no criteria for determining what constitutes a representative sample, other than that it must be a representative sample of FIs and CVVs submitted (7 CFR section 246.12(k)(1)). At a minimum, this process must be able to detect:
 - (1) Redeemed monetary amounts that exceed the maximum monetary purchase amounts established by the State agency for each type of FI and CVV.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- (a) For FIs, this includes checking for amounts exceeding maximum amounts based on peer groups, above-50-percent status, not-to-exceed amounts printed on the FIs, and thresholds used to indicate possible overcharging (a sanctionable violation that involves charging WIC customers more than non-WIC customers for the same food items). In EBT systems, the not-to-exceed edits are performed during daily processing of each purchase submitted for payment by authorized retail vendors.
 - (b) For CVVs, this includes checking thresholds used to indicate possible overcharging. In an EBT system, a CVV purchase that exceeds the EBT benefit balance for CVV purchases has one of three possible outcomes: (i) it is denied; (ii) the WIC customer is allowed to pay the portion not covered by EBT benefits, using another medium of exchange; or (iii) the number of purchased fruits and vegetables is reduced to bring the price within the available EBT benefit balance (7 CFR section 246.12(h)(3)(x)).
- (2) Other errors, including purchase price missing; participant, parent/caretaker, or proxy signature missing; vendor identification missing; FIs and CVVs transacted or redeemed after the specified time period; and altered purchase price.
 - (3) Questionable FIs and CVVs which, while they may not clearly contain errors, nevertheless require follow-up to determine if an error has occurred.
- b. *Follow-up on Erroneous or Questionable FIs and CVVs* – The State agency must follow up on FIs containing errors and other questionable FIs and CVVs detected through this process within 120 days following detection. Regulations at 7 CFR sections 246.12(k)(2) through (k)(5) describe appropriate follow-up actions (7 CFR section 246.12(k)).

Condition

The Department of Health (the Department) is responsible for ensuring that all food instruments and cash-value vouchers are properly disposed of as well as reviewed to enforce price limitations and detect errors. The State contracted with Solutran to process food instruments/cash-value vouchers and the related data. For each instrument or cash-value voucher received by Solutran, the check number, dollars deposited, date of the check deposit and vendor who deposited the check are recorded. This information is sent to CMA Consulting Services (CMA), each day for reconciliation based on the information provided by the local agency for issued food vouchers and cash-value vouchers. On a monthly basis, CMA will generate a Food Instrument and Cash-Value Voucher Reconciliation Summary to summarize all vouchers which matched in terms of the information provided by Solutran and the local agencies and detail out all vouchers that did not match. Per the Department's policy, all of these exceptions should be reconciled within the 120 day timeframe. For two of the three months selected for testwork, the reconciliation was completed between 14 and 203 days late.

Cause

The Department had limited staff to perform the reconciliation due to retirements and a hiring freeze.

Effect

Failure to perform timely reconciliations could result in FIs and CVVs being incorrectly processed, not detected or corrected within the 120 day timeframe required under Federal regulations and State policy.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Recommendation

We recommend that the Department strengthen its procedures to ensure all food instrument and cash-value voucher exceptions are reconciled within the 120 day timeframe.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

12121NJ704W1006 (10/1/11 – 9/30/12), 12121NJ704R1006 (10/1/12 – 9/30/13), 13131NJ704W1006 (10/1/12 – 9/30/13)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

Finding: 2013-024 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Compliance Investigations of High-Risk Vendors

A State agency operating a retail food delivery system must conduct compliance investigations, which consist of inventory audits and/or compliance buys, on a minimum of 5 percent of the vendors authorized as of October 1 of each year. Farmers are not included in this requirement. A State agency must conduct compliance investigations on its high-risk vendors up to the 5 percent minimum. High-risk vendors are identified at least once annually using criteria developed by FNS, and/or other statistically based criteria developed by the State agency and approved by FNS. If the number of high-risk vendors exceeds 5 percent of the total, then the State agency must prioritize vendors for investigative purposes based on their potential for noncompliance and/or loss. If the number of high-risk vendors falls short of 5 percent of the total, the State agency must randomly select enough additional vendors to meet the 5 percent requirement. When a compliance investigation discloses vendor violations, the State agency must take appropriate action against the vendor. Such action includes delaying payment or establishing a claim if a violation affects payment to the vendor; imposing sanctions mandated by program regulations for certain stated violations; and imposing other, less severe sanctions prescribed by the State agency's sanction schedule for lesser violations (7 CFR sections 246.2 (definitions of "compliance buy," "high-risk vendor," and "inventory audit"), 246.12(j)(4)(i) through (iii), 246.12(k)(2) through (4), and 246.12(l)(1) and (2)).

Condition

The Department of Health (the Department) did not meet the requirement of performing compliance investigations over 5 percent of high-risk vendors. As of Federal fiscal year 2012 (October 1, 2011 through September 30, 2012; the Federal fiscal year which ended during State fiscal year 2013), there were a total of 830 vendors. Per the requirement, the Department should have performed compliance investigations on 42 vendors; however they only performed 38 compliance investigations.

Cause

The Department had limited staff, whereas only one individual was assigned to perform compliance investigations.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Effect

High-risk vendors may exist, whereas the Department is not properly detecting them. Furthermore, these high-risk vendors may be out of compliance with WIC regulations and never sanctioned by the Department.

Recommendation

We recommend that the Department strengthen its procedures to perform compliance investigations in accordance with Federal regulations.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Immunization Cooperative Agreements (93.268)

Grant Award Numbers and Years:

5H23IP222576 (1/1/12 – 12/31/12), 1H23IP000728 (1/1/13 – 12/31/13)

State Agency: Department of Health

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

Finding: 2013-025 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

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

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

Condition

The Department of Health (the Department) submits an annual SF-425 report for Immunization expenditures. For the annual report submitted during State fiscal year 2013, the Federal expenditures reported were overstated by \$7,343. The amount reported on the SF-425 report was \$29,678,964 and supporting documentation provided by the Department reflected actual Federal expenditures were \$29,671,531. This error was not detected and corrected during the supervisory review.

Cause

The Department had adjusted the previous year's expenditures, however during the preparation of the current period, did not account for that adjustment.

Effect

The Federal expenditures on the annual SF-425 report were reported incorrectly.

Recommendation

We recommend that the Department strengthen the preparation and review procedures to ensure that accurate data is reported on the annual SF-425 report.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

X07HA00017-22 (4/1/12 – 3/31/13), X07HA00017-23 (4/1/13 – 3/31/14)

State Agency: Department of Health

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

Finding: 2013-026 Suspension and Debarment and Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Suspension and Debarment

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

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

Subrecipient Monitoring

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Health (the Department) enters into contracts with various subrecipients in order to administer the HIV Care Formula Grants program (HIV program) in the State of New Jersey (the State).

During our testwork, the following was noted:

- For four of the eight contracts selected for testwork, the contract did not contain any suspension and debarment certification, nor did the Department verify on the EPLS and document such review to ascertain that the subrecipient was neither suspended nor debarred prior to entering into the covered transactions with them. For four of the eight contracts selected for testwork, the contract did not contain any

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

communication of the required Federal award information and applicable compliance requirements. Total funds expended by these subrecipients during State fiscal year 2013 were \$388,849.

Total funds passed through to subrecipients during State fiscal year 2013 were \$7,365,761.

Cause

The award documentation included in each Letter of Agreement contract does not contain the required information necessary for the State to ensure that these subrecipients are in compliance with all Federal requirements for non-ARRA funding provided.

Effect

Subrecipients may not be aware of the compliance requirements that are direct and material to the programs that they are responsible for. Further, the Department may be entering into agreements with subrecipients that are suspended or debarred.

Recommendation

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

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Immunization Cooperative Agreements (93.268)

Grant Award Numbers and Years:

5H23IP222576 (1/1/12 – 12/31/12), 1H23IP000728 (1/1/13 – 12/31/13)

State Agency: Department of Health

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

Finding: 2013-027 Special Tests and Provisions

Finding Type: Noncompliance, Significant Deficiency

Criteria

Control, Accountability, and Safeguarding of Vaccine

Effective control and accountability must be maintained for all vaccine under the VFC program. Vaccine must be adequately safeguarded and used solely for authorized purposes (42 USC 1396s). This includes administration only to VFC program-eligible children, as defined in 42 USC 1396s(b)(2)(A)(i) through (A)(iv), regardless of the child's parent's ability to pay (42 USC 1396s(c)(2)(C)(iii)).

Record of Immunization

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25) which includes:

- a. Date of administration of the vaccine;
- b. Vaccine manufacturer and lot number of the vaccine; and
- c. Name and address and, if appropriate, the title of the health care provider administering the vaccine.

Condition

The Department of Health's (the Department) Vaccine Preventable Disease Program (VPDP) utilizes Vaccines for Children (VFC) providers to administer vaccinations to children. As the grantee, the VPDP is responsible for conducting site visits of providers to ensure compliance with the control, accountability and safeguarding of vaccines and the record of immunization. Per their policy submitted to the Center for Disease Control and Prevention, the VPDP targets reviews of 50% of all sites during each State fiscal year.

Based on the listings reviewed, a total of 1,215 VFC providers were active during State fiscal year 2013, while only 379, or 31%, were reviewed.

Cause

The VPDP had only one full-time and one part-time public health representative to perform the site visits of VFC providers.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Effect

The Department did not properly review all the VFC providers necessary to be in adherence to their own policy.

Recommendation

We recommend that the Department strengthen its procedures to ensure that it is in compliance with its site visit policy.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Immunization Cooperative Agreements (93.268)

HIV Care Formula Grants (93.917)

Grant Award Numbers and Years:

12121NJ704W1003 (10/1/11 – 9/30/12), 12121NJ734W5504 (10/1/10 – 9/30/12), 13131NJ704W1003 (10/1/12 – 9/30/13), 11111NJ704W5003 (10/1/10 – 9/30/13), 12121NJ704W5003 (10/1/11 – 9/30/14), 5H23IP222576 (1/1/12 – 12/31/12), 1H23IP000728 (1/1/13 – 12/31/13), X07HA00017-22 (4/1/12 – 3/31/13), X07HA00017-23 (4/1/13 – 3/31/14)

State Agency: Department of Health

Federal Agency: U.S. Department of Agriculture

U.S. Department of Health and Human Services

Finding: 2013-028 Cash Management

Finding Type: Significant Deficiency

Criteria

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

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

Condition

The Department of Health (the Department) draws down funds based on business objects reports that are generated from the State accounting system by an administrative analyst. This report is then given to one of the accountants to enter the drawdown request in the PMS system. Once the PMS system approves the request and the money is forwarded to Wachovia, a Cash Receipt form is created, and along with all supporting documentation, is given back to same administrative analyst who prepared the original backup for the drawdown or the Director of Financial Services for approval. The approval consists of reviewing the cash receipt form and matching the amount drawn with the amounts on the original report that the Administrative Analyst had provided to the accountants.

Based on testwork performed, the following was noted:

- For two of the forty Special Supplemental Nutrition Program for Women, Infants and Children (WIC) drawdowns selected, we noted the same administrative analyst had prepared the data for the drawdown and posted the cash receipt to the State accounting system.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- For two of the eight Immunization Cooperative Agreements drawdowns selected, we noted the same administrative analyst had prepared the data for the drawdown and posted the cash receipt to the State accounting system.
- For four of the eight HIV Care Formula Grants drawdowns selected, we noted the same administrative analyst had prepared the data for the drawdown and posted the cash receipt to the State accounting system.

As such, the control was not designed properly to ensure adequate segregation of duties between preparation, data entry and approval during the first eight months of the year. However, testwork noted that subsequent to March 1, 2013, appropriate segregation of duties was implemented by the Department to address this issue.

A similar finding was included in the 2012 prior year single audit report as item 12-27.

Cause

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

Effect

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

Recommendation

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

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

1694DRNJP00000001 (4/26/07 – 4/26/15), 4021DRNJP00000001 (8/27/11 – 8/27/19), 4033DRNJP00000001 (8/13/11 – 8/15/11), 4039DRNJP00000001 (9/28/11 – 9/28/19), 4048DRNJP00000001 (10/29/11 – 10/29/19), 4070DRNJP00000001 (7/19/12 – 7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Health

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-029 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

Condition

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

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

The Department of Health (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients which include hospitals, nursing homes, and other healthcare related entities receiving various Federal awards from the State of New Jersey.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

During the State fiscal year 2013, eighty-nine subrecipients were required to submit OMB Circular A-133 audit reports to the Department. We selected a sample of eight of the Department's subrecipient audit reports to ensure that desk reviews were being performed timely and management decisions, on audit findings noted during the desk reviews, were completed and accurately recorded in the GSA system. For one of the eight OMB Circular A-133 reports and desk reviews selected, the Department did not conduct the desk review within the six month period. For another of the eight, the Department had an inaccurate desk review date entered in the GSA system when the subrecipient's OMB Circular A-133 audit report was, in fact, not desk reviewed.

A similar finding was included in the 2012 prior year single audit report as item 12-31.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure timely and accurate updating of the GSA system and timely performance of desk reviews.

Effect

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

Recommendation

We recommend that the Department implement/enforce procedures to ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports and ensure subrecipient audit reports are timely desk reviewed.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

1694DRNJP00000001 (4/26/07 – 4/26/15), 4021DRNJP00000001 (8/27/11 – 8/27/19), 4033DRNJP00000001 (8/13/11 – 8/15/11), 4039DRNJP00000001 (9/28/11 – 9/28/19), 4048DRNJP00000001 (10/29/11 – 10/29/19), 4070DRNJP00000001 (7/19/12 – 7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-030 Subrecipient Monitoring

Finding Type: Qualified, Material Weakness

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

- *Determining Subrecipient Eligibility* – In addition to any programmatic eligibility criteria under E, —Eligibility for Subrecipients, for subawards made on or after October 1, 2010, determining whether an applicant for a non-ARRA subaward has provided a Dun and Bradstreet Data Universal Numbering System (DUNS) number as part of its subaward application or, if not, before award (2 CFR section 25.110 and Appendix A to 2 CFR part 25).
- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State). The Department reviews project worksheets (PWs) submitted by the subrecipients.

For a sample of sixty-five PWs selected for testwork at the Department, the following were noted:

- For fifty-eight out of sixty-five subrecipients selected for testwork, we noted the Department did not properly communicate the CFDA title and number or the applicable compliance requirements. The payments to the fifty-eight subrecipients included in the sample were \$1,640,834.
- Additionally, for sixty-four out of the sixty-five subrecipients tested, the awards were made on or after October 1, 2010 and were therefore subject to the requirement to request a DUNS number as part of the application or before the actual award. The Department has a form for that it provides to the subrecipients, however for fifty-nine out of sixty-four included in our testwork, the form was not collected by the Department. The amount awarded to these subrecipients was \$1,797,924.

Total funds passed through to subrecipients during State fiscal year 2013 were \$230,650,792.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-16 and 11-35, respectively.

Cause

The Department is not properly communicating Federal award information (CFDA title and number) or the applicable compliance requirements as required by Federal regulations and did not properly monitor all subrecipients for compliance with Federal regulations. Additionally, the Department is not obtaining all the subrecipients' DUNS number as part of its subaward application.

Effect

Inadequate communication of Federal requirements could result in noncompliance with Federal regulations at the subrecipient level and failure to obtain a DUNS number may result in ineligible subrecipients receiving federal awards.

Recommendation

We recommend that the Department strengthen its subrecipient monitoring procedures over communication of all Federal award information (e.g. CFDA title and number) and compliance requirements are communicated to subrecipients as required by Federal regulations. Additionally we recommend the Department obtain the subrecipients' DUNS number as part of its subaward application.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

1867DRNJP00000001 (3/15/2010-3/15/18), 1889DRNJP00000001 (3/23/10–3/23/18), 1897DRNJP00000001 (4/2/10 – 4/2/2018), 4021DRNJP00000001 (8/27/11-8/27/19), 4039DRNJP00000001 (9/28/11-9/28/19), 4048DRNJP00000001 (10/29/11-10/29/19), 4086DRNJP00000001 (10/26/12-10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-031 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

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

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

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State) and is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. Our testwork over the program indicated the controls were not properly designed and operating effectively when the Department passes the funds to other State agencies.

We noted various expenditures reported on the FFRs that are not reported in the NJCFS accounts GN12 detail as Federal expenditures for the program and are not included on the Schedule of Expenditures of Federal Awards (SEFA). These expenditures relate to transfers to other State agencies for various disasters as follows:

<u>Department</u>	<u>Disaster</u>	<u>Amount</u>
Law & Public Safety	1867	\$ 16,903
Law & Public Safety	1889	\$ 17,414

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Corrections	1889	\$ 6,565
Law & Public Safety	1897	\$ 84,621
Corrections	1897	\$ 26,659
Law & Public Safety	1954	\$ 52,918
Law & Public Safety	4021	\$ 156,221
Environmental Protection	4021	\$ 1,446,505
Agriculture	4021	\$ 13,401
Department of Transportation/Motor Vehicle Commission	4021	\$ 1,409
Health and Human Services	4021	\$ 178,463
Environmental Protection	4039	\$ 18,274
Law & Public Safety	4048	\$ 34,131
Transportation	4048	\$ 8,405
Environmental Protection	4086	\$ 562,500
Transportation	4086	\$ 113,440
Law & Public Safety	4086	\$ 6,665,875
Department of Transportation/Motor Vehicle Commission	4086	\$ 3,000
Military and Veterans' Affairs	4086	\$ 1,107,450
	Total	\$ 10,514,153

When the transfers to other State agencies are made the other State agencies are not processing the reimbursements to the state accounts on a timely basis. This resulted in the SEFA being understated by \$10,514,153 as of June 30, 2013.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Additionally we noted various expenditures that were reported in the NJCFS accounts GN12 detail as Federal expenditures for the program during fiscal year 2013 and were reported in prior fiscal years FFRs:

<u>Department</u>	<u>Disaster</u>	<u>Amount</u>
Corrections	DR1954	\$ 46,594
Human Services	DR1954	\$ 197,398
	Total	\$ 243,992

This resulted in the SEFA being overstated by \$243,992 as of June 30, 2013.

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-20 and 11-40, respectively.

Cause

The Department is not reconciling the FFRs to the expenditures in NJCFS (GN12 report federal account detail) on a quarterly basis in accordance with New Jersey Office of Management and Budget (OMB) Circular 05-02. Additionally, the Department is not following up with the Other State agencies to resolve the discrepancies noted on the year end reconciliation and not notifying OMB of any adjustments noted.

Effect

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

Recommendation

We recommend that the Department implement procedures to reconcile transfers to other State agencies and expenditures as reported on the FFRs and report adjustments to the SEFA to OMB on a timely basis. Additionally, we recommend the Department monitor the other State Departments' compliance with the Federal requirements and ensure the State reimbursements are performed timely.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

4033DRNJP00000001 (8/13/11-8/15/11), 4086DRNJP00000001 (10/26/12-11/08/12)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-032 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Financial Reporting

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

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

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State) and is required to submit quarterly SF-425 Federal Financial Reports (FFRs) for the program. We selected ten FFRs submitted for the State fiscal year 2013. For two of the ten FFRs selected, the Department was unable to provide supporting information pertaining to the "Federal Funds authorized" for the quarter ending June 30, 2013 for following disasters:

<u>Disaster</u>	<u>Amount Reported</u>
DR4033	\$4,110,573
DR4086	\$343,434,783

STATE OF NEW JERSEY
Schedule of Findings and Questioned Costs
Year ended June 30, 2013

Cause

The Department did not maintain the supporting documentation for the amounts reported on the financial reports.

Effect

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

Recommendation

We recommend that the Department strengthen its procedures to ensure reports are reviewed and verified to ensure completeness and accuracy prior to submission.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

4021DRNJP00000001 (8/27/11 – 8/27/19), 4048DRNJP00000001 (10/29/11 – 10/29/19)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-033 Subrecipient Monitoring, Special Tests and Provisions

Finding Type: Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

During-the-Award Monitoring

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

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

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

Special Test--Project Accounting

For large projects, the State is required to make an accounting to FEMA of eligible costs. Similarly, the subgrantee must make an accounting to the State. In submitting the accounting, the entity is required to certify that reported costs were incurred in performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that payments for that project were made in accordance with the 44 CFR section 13.21 payment provisions. For improved and alternate projects, if the total cost of the projects does not equal or exceed the approved eligible costs, then the auditor should expect to see an adjustment to reduce eligible costs (44 CFR section 206.205).

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State). The Department reviews project worksheets (PWs) submitted by the subrecipients. PWs are reviewed and approved prior to payments.

For three out of the sixty-five PWs selected for testwork, we noted the Department did not properly document the review and approval of the PWs. The payments to the three subrecipients included in the sample were \$10,464.

For large projects, the subgrantee must make an accounting to the State. For one out of the forty large projects selected for testwork, the Department also did not properly document the review and approval of the PW. The payment to the large project was \$80,483.

Total funds passed through to subrecipients during State fiscal year 2013 were \$230,650,792.

Cause

The Department did not ensure all project worksheets were reviewed and signed by the appropriate parties.

Effect

Payments could be made to subrecipients for ineligible costs.

Recommendation

We recommend that the Department implement procedures to ensure that all project worksheets are properly reviewed and approved.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

1897DRNJP00000001 (4/2/10 – 4/2/18), 1954DRNJP00000001 (2/4/11 – 2/4/19), 4021DRNJP00000001 (8/27/11 – 8/27/19), 4039DRNJP00000001 (9/28/11 – 9/28/19), 4048DRNJP00000001 (10/29/11 – 10/29/19), 4070DRNJP00000001 (7/19/12 – 7/19/20) 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-034 Cash Management

Finding Type: Qualified, Material Weakness

Criteria

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

Condition

The Department of Law and Public Safety (the Department) is the primary agency responsible for the administration of the Public Assistance Grant for the State of New Jersey (the State) and is responsible for the drawdown and disbursement of funds. Based on review of the 2012 and 2013 State Administrative Plan, "The State cannot request funds more than three business days before the day it disburses them."

The Department is not drawing down funds and subsequently disbursing them in accordance with the State Administrative Plan.

For eighteen out of twenty-five sampled drawdowns, the Department did not disburse the funds within three business days after they were drawn down. The amount of time that had elapsed between the drawdown of the funds and the actual payment to the applicant was between four and eleven days. The total amount of the eighteen drawdowns tested was \$81, 474,187.

A similar finding was included in the 2012 and 2011 prior year single audit reports as items 12-17 and 11-36, respectively.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department did not request and disburse public assistance funds in accordance with the State Administrative Plan.

Effect

Amounts drawn down from the Federal Government are not disbursed within the time frame agreed to in the State Administrative Plan.

Recommendation

We recommend the Department strengthen its procedures over cash management to ensure the time period between the drawdown and disbursement of funds is minimized in accordance with the State Administrative Plan.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Grant Award Numbers and Years:

1897DRNJP00000001 (4/2/10 – 4/2/18), 1954DRNJP00000001 (2/4/11 – 2/4/19), 4021DRNJP00000001 (8/27/11 – 8/27/19), 4039DRNJP00000001 (9/28/11 – 9/28/19), 4048DRNJP00000001 (10/29/11 – 10/29/19), 4070DRNJP00000001 (7/19/12 – 7/19/20), 4086DRNJP00000001 (10/26/12 – 10/26/20)

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-035 Other Requirements – Information Technology General Controls

Finding Type: Material Weakness

Criteria

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

Condition

The Department of Law and Public Safety (DLPS) has contracted with MB3 INC. (MB3), a third-party service organization, to develop and provide overall management of the New Jersey Emergency Management Grants website (NJEMGrants). DLPS began using EMGrantsPro (hosted online on the NJEMGrants.org portal) after Disaster 4086, Superstorm Sandy.

The NJEMGrants application is hosted by a third party software vendor, MB3. The MB3 data center is located in Canada and hosts all the relevant servers for the operating system and database pertaining to the NJEMGrants application. MB3’s responsibilities include providing software, maintenance and associated software, and configuration services. MB3 is used to host the database, importing data from the Federal Emergency Management Mission Integrated Environment (EMMIE) system, and interfacing with the New Jersey Comprehensive Financial System (NJCFS). DLPS relies upon the data generated and maintained in NJEMGrants for review and processing of project worksheets.

During our procedures, we noted following control design gaps related to General Information Technology Controls:

1 Report on Controls at a Service Organization

- DLPS does not currently require MB3 to provide an audit in accordance with Statement on Standards for Attestation Engagements No. 16 (SSAE 16), Reporting on Controls at a Service Organization (formerly Statement on Auditing Standards No. 70), which requires an independent auditor to evaluate and issue an opinion on a service organization’s internal controls placed into operation and tested for operating effectiveness. As a result, DLPS does not have a process in place to adequately

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

monitor its third-party service organization to determine whether internal controls that are essential to compliance with Federal requirements for the above program are operating effectively. Obtaining an SSAE 16 report from the third-party service organization would provide DLPS some assurance that internal controls over compliance with the Federal requirements of the program are properly designed and operating effectively, including the controls referred to below.

2 *Security Policy Procedures*

- A formally documented IT Security policy does not exist to guide general information Technology control audit areas such as logical access, change management and operations.

3 *Password Settings*

- There is no formally documented password settings policy in place at the application level.

4 *Physical Access to Data Center*

- The data center is managed by MB3, a third-party service organization providing the NJEMGrants application solution.

5 *Administrative Access*

- A process is in place to grant administrative access at the application level that would allow the user to create, modify and delete end-user access. However; administrative access to programs, database and operating system hosting the NJEMGrants application is handled by the third-party service organization MB3.

6 *Terminations*

- A formal process does not exist to revoke user access to NJEMGrants application.

7 *Periodic Review of Access*

- A formal process to review NJEMGrants application user access is not in place. Though a user access review was performed during fiscal year 2013 for application layer users, there is no formal process established to ensure proper follow-up and follow through.

8 *Program Changes*

- While there is an informal process to test and approve changes requested by the State, there is no formal process related to changes that could potentially be performed by the third-party service organization.

9 *Emergency Changes*

- While there is an informal process to test and approve changes requested by the State, there is no formal process related to emergency changes that could potentially be performed by the third-party service organization.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

10 Access to Migrate Changes

- DLPS does not have access to migrate changes.

Cause

The NJEMGrants application, database and operating system is hosted and managed by the application service provider MB3 at their location in Canada. This is an off-the-shelf application and DLPS does not have access to source code and/or direct access to the database. The contract with MB3 does not require an SSAE 16 report from the third-party service organization. Additionally DLPS does not have alternate procedures in place in ensure that the controls at the third-party service organization are designed and operating effectively.

Effect

Controls at the third-party service organization may not be adequate to ensure compliance with the Federal requirements. Additionally, DLPS may not be aware of additional mitigating controls that they would be need to have in place to compensate any deficiencies in the controls at the third-party service organization.

Recommendation

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

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Cost

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

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

Highway Planning and Construction Cluster (20.205, 20.219)

Grant Award Numbers and Years:

Various

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Law and Public Safety
U.S. Department of Transportation

Finding: 2013-036 Subrecipient Monitoring

Finding Type: Noncompliance, Significant Deficiency

Criteria

Subrecipient Monitoring

A pass-through entity is responsible for:

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

Condition

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

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

The Department of Law and Public Safety (the Department) is a cognizant agency responsible for the performance of the above duties of its subrecipients that receive various Federal awards from the State of New Jersey.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

During the State fiscal year 2013, five subrecipients were required to submit OMB Circular A-133 audit reports to the Department. We selected one of the Department's subrecipient audit reports to ensure that desk reviews were being performed timely and management decisions, on audit findings noted during the reviews, were completed and accurately recorded in the GSA system. The Department inaccurately updated the information in the GSA system regarding receipt of the audit report, even though the audit report had not been received and the desk review was not performed.

Cause

The Department does not have sufficient procedures and internal controls in place to ensure accurate updating of the GSA system as well as timely receipt and accurate review of the audit reports.

Effect

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

Recommendation

We recommend that the Department implement/enforce procedures to ensure the GSA online system is being consistently updated to ensure proper communication regarding the status of subrecipient audit reports and ensure subrecipient audit reports are timely reviewed.

Related Noncompliance

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

Questioned Costs

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Homeland Security Grant Program (97.067)

Grant Award Numbers and Years:

EMW-2012-SS-00173, EMW2011SS00120, 2010-SS-T0-0068, 2009-SS-T9-0082, 2008-GE-T8-0015

State Agency: Department of Law and Public Safety

Federal Agency: U.S. Department of Homeland Security

Finding: 2013-037 Equipment

Finding Type: Noncompliance, Significant Deficiency

Criteria

Equipment Management

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

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of \$5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Condition

The Office of Homeland Security and Preparedness (OHSP), a division of the Department of Law and Public Safety manages the Homeland Security Grant Program (HSGP). Various agencies within the State of New Jersey purchase equipment using funds from HSPG. In accordance with State of New Jersey OMB Circular 11-19 all equipment with an original cost of \$1,000 or more and an expected life of three (3) years or more must be maintained on an asset inventory record.

We selected fifty seven pieces of equipment for testwork. Total equipment costs for the State fiscal year were \$7,695,574 of which \$522,717 was included in our sample. During our testwork we noted the following:

- For one (Division of State Police (DSP)) of the pieces of equipment selected, the equipment could not be located by the respective Division. Costs charged to the program for this transaction was \$1,364 and has been included as questioned costs.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

- Five (Office of Medical Examiner (OEM)) of the equipment selections were purchased for local governmental units and were no longer in the State of New Jersey's possession. All of the five transactions had receipts signed by the receiving entity that they received and/or took ownership of the equipment. These transactions totaled \$306,035 and should have been included in the amount passed through to subrecipients on the Schedule of Expenditures of Federal Awards (SEFA).
- For twelve (DSP) equipment selections, the supporting documentation detailed the purchases as other than equipment. These expenditures were related to IT support/maintenance, licenses, and other fees. Costs charged to the program for these transactions were \$46,099.

A similar finding was included in the 2012 prior year single audit report as item 12-21.

Cause

The Department does not have procedures in place to identify equipment purchased for local government units and subsequently include these expenditures as passed through to subrecipients. Additionally, the Divisions do not have adequate controls in place to ensure equipment is appropriately tracked.

Effect

Equipment purchased with Federal Funds is not readily available for inspection and purchases may not be properly classified.

Recommendation

We recommend that the Department implement tracking procedures to identify equipment and to ensure that the proper classification of these expenditures is accounted for in the State accounting system.

Related Noncompliance

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

Questioned Costs

\$1,364

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Housing Voucher Cluster (14.871, 14.879)

Grant Award Numbers and Years:

NJ912AFR312 (7/1/12 – 7/31/12), NJ912VO0517 (8/1/11 – 7/31/12), NJ912VO0518 (8/1/11 – 7/31/12), NJ912VO0519 (8/1/11 – 7/31/12), NJ912VO0520 (8/1/11 – 7/31/12), NJ912V0PR11 (7/1/12 – 7/31/12), NJ912AF0089 (7/1/12 – 9/30/12), NJ912AFHV17 (9/1/12 – 9/30/12), NJ912AFR412 (9/1/12 – 9/30/12), NJ912AFR512 (9/1/12 – 9/30/12), NJ912AF0090 (10/1/12 – 10/31/12), NJ912VO0526 (4/1/12 – 10/31/12), NJ912VO0527 (7/1/12 – 10/31/12), NJ912VO0528 (8/1/12 – 10/31/12), NJ12AF0091 (11/1/12 – 11/30/12), NJ12AF0092 (12/1/12 – 12/31/12), NJ12VO0525 (1/1/12 – 12/31/12), NJ12VO0537 (7/1/12 – 12/31/12), NJ12VO0538 (8/1/12 – 12/31/12), NJ12VO0539 (8/1/12/31/12), NJ12VO0540 (8/1/12 – 12/31/12), NJ12VO0541 (8/1/12 – 12/31/12), NJ12VO0542 (11/1/12 – 12/31/12), NJ912AF0093 (1/1/13 – 2/28/13), NJ912VO0543 (1/1/13 – 2/28/13), NJ912AF0095 (3/1/13 – 3/31/13), NJ912VO0529 (4/1/12 – 3/31/13), NJ912VO0530 (4/1/12 – 3/31/13), NJ912VO0531 (4/1/12 – 3/31/13), NJ912VO0532 (4/1/12 – 3/31/13), NJ912VO0533 (4/1/12 – 3/31/13), NJ912VO0534 (4/1/12 – 3/31/13), NJ912VO0535 (4/1/12 – 3/31/13), NJ912VO0536 (4/1/12 – 3/31/13), NJ912VO0558 (3/1/13 – 3/31/13), NJ912AF0094 (4/1/13 – 4/30/13), NJ912AF0096 (4/1/13 – 4/30/13), NJ912AF0097 (4/1/13 – 4/30/13), NJ912AF0101 (4/1/13 – 4/30/13), NJ912AFHV18 (4/1/13 – 4/30/13), NJ912VO0559 (4/1/13 – 4/30/13), NJ912AFR712 (5/1/13 – 5/31/13), NJ912VO0560 (5/1/13 – 5/31/13), NJ912AFO098 (5/1/13 – 6/30/13), NJ912VO0561 (6/1/13 – 6/30/13)

State Agency: Department of Community Affairs

Federal Agency: U.S. Department of Housing and Urban Development

Finding: 2013-038 Reporting

Finding Type: Noncompliance, Significant deficiency

Criteria

HUD-52681-B, *Voucher for Payment of Annual Contributions and Operating Statement (OMB No. 2577-0169)*. The PHA submits this form electronically to HUD via the VMS monthly on the same basis of accounting (full or modified) as the PHA prepares its annual financial submission to HUD through the FASS-PH system. Congress has instructed HUD to use VMS data to determine renewal funding levels. HUD also uses VMS data for other funding, monitoring, and SEMAP-related decisions. HUD relies on the audit of the key line items below to determine the reasonableness of the data submitted for the purposes of calculating funding under the program. *Key Line Items* – All of the line items under the categories below contain critical information:

- (1) Unit Months Leased
- (2) HAP Expenses
- (3) All Specific Disaster Voucher Programs

Condition

The Department of Community Affairs is required to submit Financial Reports to HUD on a monthly basis utilizing the VMS system. We selected three of twelve months of HUD-52681-B reports for testing. The Department did not maintain support for the reports selected as of the date of the transmission. Support was subsequently provided however various line items containing critical information as noted in the above criteria

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

did not tie to the report submitted to HUD for the respective months. Therefore we were not able to test validity of the reports submitted for the three months.

Cause

The Department does not have a formal process in place to maintain support that is used to complete the HUD-52681-B.

Effect

The Department was unable to provide the appropriate required VMS system data to support their HUD-52681-B submission.

Recommendation

We recommend that the Department implement procedures to ensure that they maintain the appropriate support for each report submitted to HUD.

Related Noncompliance

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

Questioned Cost

Cannot be determined

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Foster Care – Title IV-E (93.658)

Adoption Assistance (93.659)

Grant Award Numbers and Years:

Foster Care: G1102NJ1401 (10/1/10 – 9/30/12), G1202NJ1401 (10/1/11 – 9/30/13), G1302NJ1401 (10/1/12 – 9/30/14)

Adoption Assistance: G1102NJ1407 (10/01/10 – 9/30/12), G1202NJ1407 (10/01/11 – 9/30/13), G1302NJ1407 (10/01/12 – 9/30/14)

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

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

Finding: 2013-039 Other Requirements – Information Technology General Controls

Finding Type: Significant Deficiency

Criteria

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

Condition

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

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

1. Disaster Recovery Test

- A complete Disaster Recovery (DR) test was not performed for NJSPIRIT during State fiscal year 2013. It was noted that a partial test was performed, but did not incorporate all the requirements for an overall DR test.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

2. *User Access Provisioning*

- User access modifications to NJSPIRIT and supporting approvals could not be validated as the NJSPIRIT application does not maintain a system log of changes that were made during State fiscal year 2013.

A similar finding was included in the 2012, 2011, 2010, 2009, and 2008 prior year single audit reports as items 12-10, 11-28, 10-17, 09-28, and 08-6, respectively.

Cause

1. *Disaster Recover Test*

- During State fiscal year 2013, a complete Disaster Recovery test was not performed for the NJSPIRIT application. Partial tests were performed and a formalized test report was not developed that outlined the output. The test was partially performed due to the lack of equipment that is required for execution of a full Disaster Recover test.

2. *User Access Provisioning*

- The NJSPIRIT application does not maintain a system log regarding changes that have been made to user account access. As a result, it was not possible to obtain an accurate population of user account access changes during State fiscal year 2013.

Effect

1. *Disaster Recover Test*

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

2. *User Access Provisioning*

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

Recommendation

1. *Disaster Recovery Test*

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

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

2. *User Access Provisioning*

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

Related Noncompliance

Not applicable as this is an internal control finding.

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Capitalization Grants for Clean Water State Revolving Funds (66.458)

Grant Award Number and Year:

CS-34000112-0 (7/1/12 – 6/30/19)

State Agency: Department of Environmental Protection

Federal Agency: U.S. Environmental Protection Agency

Finding: 2013-040 Reporting

Finding Type: Noncompliance, Significant Deficiency

Criteria

Federal Funding Accountability and Transparency Act

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

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

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS no later than the last day of the month *following* the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

Condition

The Department of Environmental Protection (the Department) obligated subawards greater than \$25,000 in May 2013 when the loan agreements closed. The FFATA reports for these subawards were due June 30, 2013, but were not submitted until July 26, 2013.

STATE OF NEW JERSEY

Schedule of Findings and Questioned Costs

Year ended June 30, 2013

Cause

The Department does not have procedures in place to ensure they submit FFATA reports timely.

Effect

The Department did not submit FFATA reports timely.

Recommendation

We recommend that the Department implement procedures to ensure timely FFATA reporting.

Related Noncompliance

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

Questioned Costs

None

View of Responsible Official

See management's corrective action plan.

MANAGEMENT'S CORRECTIVE ACTION PLAN
(Unaudited)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-001 12-1 11-2 10-1 09-1 08-1 07-42	<p>The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding.</p> <p>The Division's Bureau of Quality Control (BQC) has added additional staff and strengthened the management of the Bureau. The BQC has completed all 1,044 Medicaid Eligibility Quality Control (MEQC) eligibility reviews as required by Centers for Medicare and Medicaid Services (CMS). As of December 2013, the average redetermination percentage performed by the counties had reached 90% and should be at 95% before the end of fiscal year 2014. The Division imposes financial penalties on the counties that do not meet predetermined redetermination percentages.</p>	<p>June 2014</p> <p>Sharon Metro, BQC Director (609) 588-2958</p>
TANF Cluster (93.558, 93.714) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-002 12-43 11-6	<p>Following the Bureau of Quality Control review, Division of Family Development (DFD) will send a Quality Control Summary Report (QC-551B) to the attention of the County Welfare Agency (CWA) Director and Liaison. The Office of County Operations will be copied on every error case. The Office of County Operations will follow-up on the cases with each county and document their findings. That follow-up will vary depending on the identified issues. The follow-up will be documented on the QC-155B form.</p>	<p>June 2014</p> <p>Nancy Smith, Chief – BQC (609) 588-2478</p>
SNAP Cluster (10.551, 10.561) TANF Cluster (93.558, 93.714) State Agencies: Office of Information Technology Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-003 12-51 11-15 10-12 09-10 08-44 07-8	<p>1. <i>Access at the Data Center at HUB and Office of Information Technology (OIT) Availability Recovery Site (OARS)</i></p> <ul style="list-style-type: none"> • A review of the access rights to the Data Centers and Server Rooms is performed on a periodic basis. • A Request for Proposal (RFP) has been issued for a new off-site operations print vendor. Due to government transparency requirements, the RFP continues to be reviewed. Once awarded in-house print operations will cease at the HUB. 	<p>Stephen Foundos—OIT (609) 633-8791</p> <ul style="list-style-type: none"> • Ongoing • November 30, 2014

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<ul style="list-style-type: none"> • Options for either the door being alarmed or under camera surveillance are to be considered. Meeting audit recommendations are subject to building codes, fire safety, and cost factors. As for fire safety, door alarm, and lock deactivation allowing for an emergency fire exit is a concern. <p>2. <i>Accountability for access</i></p> <ul style="list-style-type: none"> • Shared accounts procedures for their review and monitoring by an independent party, along with documentation of such access rights, are to be formalized. <p>3. <i>Disaster Recovery</i></p> <ul style="list-style-type: none"> • Current year updates to a Disaster Recovery (DR) Plan executed by the Client and OIT will include: <ul style="list-style-type: none"> a) Current year contacts; b) Current year personnel performing the test; c) Annually adjusted physical security highlights; d) Annually adjusted data security highlights; e) Annually adjusted expected results; f) Prior year(s) issues and; g) Annually adjusted steps will be taken during the current year to meet annually adjusted expected results for testing, etc.; h) Upon a DR Testing's conclusion results will be compared against the DR Plan annually adjusted expected results to highlight variances and their remedy. • OIT and Department of Human Services (DHS)/DFD do not plan to perform a Disaster Recovery Test on FAMIS, as resources and time do not permit this effort due to the ongoing development of the Consolidated Assistance Support System (CASS). Once the development and implementation of the CASS concludes, resources will be directed to CASS Disaster Recovery. • Family Assistance Management Information System (FAMIS) DR Plan is now in place and will be annually certified by OIT's Business Continuity & Disaster Recovery Unit. <p>4. <i>Appropriateness of Access:</i></p> <ul style="list-style-type: none"> • DFD continues to audit on a yearly basis to verify that no users have both Update and Supervisor Functions for FAMIS. DFD received a list of all users with both functions from OIT. On January 31, 2014, DFD sent a list of users to the counties that had users with both Case Worker (UPD) and Supervisor (SUP) level access for FAMIS in FAMIS or Universal Application Program (UAP). The DFD Security Administrator advised them to review the listing, remove either the UPD or SUP access from the user, and notify the DFD Helpdesk when the corrections were made. DFD also reiterated to the CWA security administrators that no users should be given both Case Worker and Supervisor access. DFD will follow up by requesting the same report in 30 days to verify that the corrections were made. <p>5. <i>Password Settings</i></p> <ul style="list-style-type: none"> • The State of New Jersey has published a Statewide 177 Password Management Policy and Standard which will supersede the 	<ul style="list-style-type: none"> • September 30, 2014 <p>Stephen Foundos—OIT (609) 633-8791</p> <ul style="list-style-type: none"> • Procedures – September 30, 2014 • Monitoring – Ongoing <p>Stephen Foundos—OIT 609-633-8791</p> <ul style="list-style-type: none"> • September 30, 2014 <p>Pat DeMarco – DHS/DFD (609) 588-3968</p> <ul style="list-style-type: none"> • Completion Date Not Applicable • Ongoing <p>Susan Brown (609) 588-2929</p> <ul style="list-style-type: none"> • Ongoing since July 1, 2013 <p>Stephen Foundos—OIT (609) 633-8791</p> <ul style="list-style-type: none"> • March 31, 2014
---	--

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	OIT password policy (OC# 17-2005). The OIT specific password policy will be removed. The disability of the password complexity setting for the Windows Domain is to be investigated and made to conform with the updated policy.	
Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-004 No finding in prior year	The Division of Medical Assistance & Health Services (DMAHS) concurs with this finding. Letter sent to applicant requesting missing information. Molina has reviewed enrollment procedures with current staff. Training procedures for new employees will be strengthened.	April 2014 Joe Cicatiello, Director Office of Provider Enrollment (609) 588-2905
TANF Cluster (93.558, 93.714) State Agencies: Department of Human Services Department of Labor and Workforce Development Federal Agency: U.S. Department of Health and Human Services		
<i>Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-005 No finding in prior year	<p><i>DHS Response:</i> The Quality Control (QC) Unit reviewed only 128 sample cases of the 370 specified in the Work Verification Plan due to extenuating circumstances including the federally mandated Disaster Supplemental Nutrition Assistance Program (SNAP) review and the triennial child-care review. DFD is currently on track this year to complete the full sample of 370 reviews. As part of the Corrective Action Plan, the Quality Control staff has been moved to generic titles to be able to work across programs. This will allow more reviewers to work on the Temporary Assistance for Needy Families (TANF) reviews.</p> <p>With respect to the Department of Labor, DFD QC will schedule a meeting with the DOL QC office to discuss the annual 5% sampling requirement.</p> <p><i>DLWD Response:</i> The Division of Workforce Grant and Program Management (WGPM) and the Office of Research and Information (ORI) will immediately take steps to comply with the existing Work Verification Plan:</p> <ul style="list-style-type: none"> • WGPM and ORI will request the 5% sampling of actively participating TANF registrants for the period the period 7/1/13 through 12/31/13. • WGPM's Work First Program unit will inform the local One-Stop Operators of the required review. • ORI will conduct the required review. • It is anticipated that a 5% sampling would require a review of approximately 584 customer records for the above referenced period. • A report on the findings will be provided to Internal Audit on or before May 1, 2014. 	<p>June 2014</p> <p>Nancy Smith – DHS Chief – BQC (609) 588-2478</p> <p>May 1, 2014</p> <p>Jerry Calamia – DLWD (609) 292-1885</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<p>SNAP Cluster (10.551, 10.561) Child Support Enforcement (93.563) Children’s Health Insurance Program (93.767) Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p>		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-006 12-47	<p><u>DHS-DFD Response:</u> The DFD Budget Office will accumulate all required Federal Financial Accountability and Transparency Act (FFATA) information (entity information; DUNS #, etc.) from each CWA as part of the annual CWA budget process. The DFD Budget Office will also project the annual reimbursements for each agency for SNAP and Child Support (title IV-D). This information will be provided to the DFD Office of Financial Reporting who will submit this information to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) website and adjust on an as-needed basis.</p> <p><u>DHS-DMAHS Response:</u> DMAHS concurs with this finding and is currently working with DFD to implement this reporting requirement for the Division.</p>	<p>June 2014 Robert Hughes, Manager - DFD (609) 584-4041 Shammi Bhatia, Manager - DFD (609) 588-2045</p> <p>Richard Hurd DMAHS Chief of Staff (609) 588-2550</p>
<p>CCDF Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-007 No finding in prior year	The DFD Contract Office will accumulate all required FFATA information (entity information; DUNS #, etc.) from each CCR&R as part of the annual contract process. The DFD Budget Office will project the estimated annual allocation for each agency and submit this information to the DFD Office of Financial Reporting who will input this information to the FSRS website. Information on the website will be updated on an as-needed basis.	<p>June 2014 Yvonne Tierney, Manager - DFD (609) 588-2074 Shammi Bhatia, Manager - DFD (609) 588-2045</p>
<p>TANF Cluster (93.558, 93.714) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-008 12-47	The DFD Budget Office will accumulate all required FFATA information (entity information; DUNS #, etc.) from each CWA as part of the annual CWA budget process. The DFD Budget Office will also project and/or determine the annual allocation for each agency. This	<p>June 2014 Robert Hughes, Manager - DFD</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	information will be provided to the DFD Office of Financial Reporting who will submit this information to the FRSR website and adjust on as-needed basis.	(609) 584-4041 Shammi Bhatia, Manager - DFD (609) 588-2045
SNAP Cluster (10.551, 10.561) TANF Cluster (93.558, 93.714) Child Support Enforcement (93.563) Children's Health Insurance Program (93.767) State Agency: Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-009 No finding in prior year	The DFD Budget Office will provide all required award identification information and the actual and/or projected program amounts (SNAP, TANF, Child Support, and CHIP) to each individual CWA as part of the annual CWA budget process. For FY14, since this budget process has already taken place, DFD will issue revised award letters to the 21 CWAs to address these requirements related to the SNAP, TANF, Child Support, and Children's Health Insurance Program (CHIP) funds.	June 2014 Robert Hughes, Manager - DFD (609) 584-4041
SNAP Cluster (10.551, 10.561) TANF Cluster (93.558, 93.714) State Agency: Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services		
<i>Suspension and Debarment</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-010 No finding in prior year	DFD will verify each CWA suspension or debarment status by checking the Excluded Parties List System (EPLS) and will collect a certification from each CWA as part of the annual CWA budget process. Specifically, DFD will issue/obtain this information when annual allocation amounts are distributed to the CWA. For FY14, since the budget and allocation processes have already taken place, DFD will issue revised award letters to the 21 CWAs to address these requirements related to the SNAP and TANF Clusters.	June 2014 Robert Hughes, Manager - DFD (609) 584-4041
TANF Cluster (93.558, 93.714) State Agencies: Department of Human Services Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
<i>Suspension and Debarment and Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-011 12-42	<i>DHS Response:</i> In a letter dated May 2, 2013, DFD advised Department of Children and Families (DCF) of its responsibilities to ensure compliance with subrecipient monitoring and specifically requested verification of their review of suspension and debarment of its	June 2014

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<p>vendors and its on-site monitoring plans. This letter also included an attachment with the grant award notifications for fiscal years 2012 and 2013 and advised DCF that this award information would be provided to them by DFD on an annual basis going forward. DCF responded via letter dated June 14, 2013 and included copies of provider suspension and debarment searches, as well as comments regarding their monitoring system.</p> <p><i>DCF Response:</i> DCF is now including all required information during the awarding process to subrecipients to ensure they are made aware of all necessary Federal award information and compliance requirements related to the programs they administer on behalf of the State. Effective with contracts beginning on or after July 1, 2013, DCF revised its Annex A Contract Required Document Checklist and made it a requirement that all providers include the agency's System for Award Management (SAM) renewal print out with their contract documents.</p> <p>With regards to on-site monitoring, while the goals set forth in the memorandum is for DCF Business Offices to conduct yearly on-site monitoring of contracted agencies, there is no DCF policy mandating yearly on-site monitoring. DCF's Business Offices make every effort to ensure they complete on-site reviews of contracted agencies. In addition, DCF Business Offices review contracted agencies expenditure reports, level of service reports, and audits as part of on-going contract administration.</p>	<p>Yvonne Tierney, Manager - DFD (609) 588-2074</p> <p>Completed – Fiscal Year 2014</p> <p>Karen Baldoni - DCF (609) 888-7333</p>
<p>Block Grants for Prevention and Treatment of Substance Abuse (93.959) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Suspension and Debarment and Subrecipient Monitoring</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>2013-012 No finding in prior year</p>	<p>Department of Mental Health and Addictive Services (DMHAS) included the required language regarding all required Federal award information in the CY 14 renewal communication, and will do so going forward. Additionally, the Contract Information Management System (CIMS) now includes the Block Grant Compliance Requirement information, accessible from the home page.</p> <p>The "Application Review" form, completed by the contract administrator and reviewed by the supervisor assigned to review Addictions contracts, includes Schedule I and G (suspension and debarment certification) among the list of required documents. Staff will be reminded during staff meetings to ensure to include this item during their review of contracts. Staff turnover and shortages is the most likely cause of the lack of required documents, since this is a part of the review process.</p>	<p>January 29, 2014</p> <p>Susanne Rainier, Chief Bureau of Contract Administration (609) 777-0629</p>
<p>Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Reporting</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">COMPLETION DATE/ CONTACT PERSON</p>
<p>2013-013 12-46 11-9 10-6 09-7 08-2</p>	<p>DFD-Office of Child Support Enforcement is in the process of automating the reconciliation between the OCSE 34A report (Collections and Disbursements) with the bank account in the New Jersey Kids Deserve Support (NJKiDS) system. The Office of Financial Reporting is currently testing and receiving training on the automated screens in NJKiDS to complete the monthly reconciliation.</p>	<p>April 2014</p> <p>Shammi Bhatia, Manager - DFD (609) 588-2045</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

07-5 06-1 05-7 04-18 03-7 02-6 01-6 00-30		
Rehabilitation Services – Vocational Rehabilitation Grants to States (84.126) State Agency: Department of Human Services Federal Agency: U.S. Department of Education		
<i>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-014 12-49 11-11 10-10 09-6 08-7	The Cost Allocation Plan for the quarter ending December 31, 2012 will be completed by March 14, 2014. The Cost Allocation Plan for the quarters ending March 31, 2013 and June 30, 2013 will be completed by April 25, 2014 and May 23, 2014, respectively. The Commission for the Blind and Visually Impaired (CBVI) is training an accountant to help with the filing of State and federal reports and help improve internal controls. By next year, the backlog of reports should be completed and cost allocation plans will be filed timely.	May 23, 2014 Edward Szajdecki – CBVI (973) 648-2396
Social Services Block Grant (93.667) State Agencies: Department of Human Services Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-015 No finding in prior year	In an effort to simplify and improve the current process, DFD will assume responsibility of determining the allocation of Social Services Block Grant (SSBG) funding to the County Welfare Agencies (CWAs) and will ensure that these agencies (i.e. subrecipients) receive the required Federal award information. In addition, DFD will work with DCF and DHS to investigate the feasibility of including SSBG in the current random moment study (RMS) process. With respect to subrecipient monitoring and the communication of compliance requirements, DFD will set up a series of meetings with DCF to review the current processes and provide any guidance, assistance and/or recommendations necessary to help ensure best practices.	June 30, 2013 Thomas Mattaliano (609) 588-2165 June 30, 2013 Natasha Johnson (609) 588-2409
Social Services Block Grant (93.667) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Reporting</i>		
FINDING	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

# ¹		PERSON
2013-016 No finding in prior year	DHS will strengthen the language contained in individual Memorandums of Understanding (MOU) with Divisions and other Departments in an effort to clarify and enforce the submission and accuracy of Post Expenditure reports. DHS will implement high-level reviews of submitted post expenditure reports to test mathematical accuracy and will perform trend analysis to identify unusual changes in expenditures patterns. DHS will require that the Divisions and other Departments correct discovered mathematical errors and provide adequate explanation for identified unusual expenditure patterns.	June 30, 2013 Philip Prassas (609) 292-0547
Disability Insurance/SSI Cluster (96.001) State Agency: Department of Labor and Workforce Development Federal Agency: Social Security Administration		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-017 No finding in prior year	<p>On January 17, 2014 the SSA-871 were submitted for the quarters noted in the finding. However, we would like to add the following. Equipment is defined by POMS 39506.210 (D)(4)(e) as “any article of tangible personal property (other than EDP equipment/upgrades) that has a life of more than 1 year, an acquisition cost of <u>\$5,000 or more per unit</u>, and a probable resale, salvage, or trade-in value”. Also, POMS 39506.210(D)(7) provides that the SSA-871 is an optional requirement.</p> <p>Given the SSA/POMS definition of equipment noted above we have reviewed our purchases for the quarters in question and we believe that none of our purchases met the definition of equipment. We will follow up with the regional SSA office to determine if in fact the SSA-871 reports were required.</p>	Completed Jerry Calamia – DLWD (609) 292-1885
Unemployment Insurance (17.225) State Agencies: Department of Labor and Workforce Development Office of Information Technology Federal Agency: U.S. Department of Labor		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-018 12-35 11-1	<ol style="list-style-type: none"> 1. <u>Access at the Data Center at Systems and Communications (SAC) and OIT Availability and Recovery Site (OARS)</u> <ul style="list-style-type: none"> • <i>OIT Response:</i> A review of the access rights to the Data Centers and Server Rooms is performed on a periodic basis. 2. <u>Appropriateness of Access</u> <ul style="list-style-type: none"> • <i>DLWD Response:</i> On September 10, 2013 the Department of Labor and Workforce Development (DLWD) had the Office of Information Technology (OIT) run a batch job that removed LOOPS ACF2 access for those individuals who had not accessed the LOOPS system prior to August 1, 2012. DLWD plans to continue these reviews on a periodic basis. • <i>OIT Response:</i> Only senior Development personnel have access to Production moves. Development personnel need to retain the ability to do Production moves for responsible 24/7 system support. Where segregation of duties can be assigned to reduce a single person from performing development and promotion to Production, it will be pursued. Fiscal year (FY) 2013 unit reorganization due to promotions, for two Project Managers, has increased our ability to comply with the segregation of duties. 	Stephen Foundos—OIT (609) 633-8791 <ul style="list-style-type: none"> • Ongoing Jerry Calamia – DLWD (609) 292-1885 <ul style="list-style-type: none"> • Completed Stephen Foundos—OIT (609) 633-8791 <ul style="list-style-type: none"> • June 30, 2013

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<ul style="list-style-type: none"> DLWD is currently identifying the portion of the NJLOOPS DR Plan that will be tested in September 2014 and is beginning the process of outlining the overall NJLOOPS DR Plan. A SharePoint site will be created at DLWD that will contain all working documents. Finalized documents will be sent to OIT for secure storage at OARS. <p>6. <u>Data Backup Procedures and Failed Backup Resolution</u></p> <p><i>OIT Response:</i> Formalized backup procedures along with the retention of backup success/failure logs and resolution details are to be documented as written policy and procedures. The policy and procedures would be subject to the following:</p> <ul style="list-style-type: none"> Storage management backup occur on the larger system level not the more detailed application level; Back up logs are presently maintained up to 90 days, due to storage considerations, making for a system limitation; System Command Center monitors the backup process using their procedures; and CA Service Center accounts for Change Control or Incidents. <p>7. <u>Password Settings</u></p> <p><i>OIT Response:</i> The State of New Jersey has published a Statewide 177 Password Management Policy and Standard which will supersede the OIT password policy (OC# 17-2005). The OIT specific password policy will be removed. The disability of the password complexity setting for the Windows Domain is to be investigated and made to conform with the updated policy.</p>	<p>Stephen Foundos—OIT (609) 633-8791</p> <ul style="list-style-type: none"> September 30, 2014 <p>Stephen Foundos—OIT (609) 633-8791</p> <ul style="list-style-type: none"> March 31, 2014
<p>Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>2013-019 No finding in prior year</p>	<p>The Bureau of Auditing has implemented procedures that have been in place since the beginning of calendar year 2013 to ensure timely receipt of audit reports and timely completion of desk reviews. Documentation for this process was submitted to KPMG as support during their current audit of FY2013. The documents provided to KPMG detailed our steps for updating the Grantee Single Audit (GSA) system and allows our Bureau the ability to identify any subrecipients requiring a single audit. With this information, the Bureau of Auditing determines a due date for both the single audit and desk review. Known subrecipients are assigned to bureau staff that are responsible for monitoring the completion of the audit within the due date. Furthermore, the Bureau's SharePoint site maintains a permanent file of desk review procedures, A-133 guidelines, GSA requirements, and desk review documentation. Each subrecipient review is documented with a standard set of work papers. The Bureau received formal training on the statewide subrecipient monitoring process from Treasury-OMB during May 2013 and staff has been trained on A-133 requirements and has guidelines/procedures in place to ensure the accurate and timely review of all audit reports.</p>	<p>May 2013</p> <p>Chris Breza (609) 530-2350</p>
<p>School Improvement Grants Cluster (including ARRA) (84.377, 84.388) State Agency: Department of Education Federal Agency: U.S. Department of Education</p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<i>Subrecipient Monitoring and Special Tests and Provisions</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-020 No finding in prior year	<p>At the time the Cohort 2, year 1 grant agreements were printed, a decision had not been made as to the funding source (84.388 - SIG ARRA funds or 84.377 - SIG) since the final reports from the prior year had not yet been submitted and approved. Subsequently, it was determined that there were sufficient ARRA funds to fully fund each Cohort 2, year 2 grantee. This was a unique situation which we anticipate will not happen again.</p> <p><i>Corrective Action:</i> For each subrecipient receiving funds from the Cohort 2, year 2 grant, the DOE will provide written notification of the ARRA CFDA number (84.388) and amount of ARRA funds provided by the subaward. This will enable the subrecipients to accurately report expenditures on their SEFA reports.</p> <p>In the future, the CFDA number will be included in the notice of grant opportunity (NGO) along with the funding source (currently included in each NGO). All reporting requirements will continue to be listed in each NGO. In the event that a similar situation occurs, the program office will provide grantees with written notification of the funding source, including CFDA number, as well as any additional reporting requirements.</p>	<p>March 31, 2014</p> <p>Anne Corwell (609) 777-1468</p> <p>Rochelle Sinclair (609) 943-5889</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Immunization Cooperative Agreements (93.268) HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p>		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-021 12-26 11-45	The Department has begun to write and implement procedures after working with the program to successfully update the FFATA Subaward Reporting System.	<p>July 1, 2014</p> <p>Walter C. Valora (609) 633-1528</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture</p>		
<i>Cash Management</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-022 No finding in prior year	DOH and OMB discussed the draw pattern for the subrecipient component. OMB conducted a test, which clearly indicated a weighted average clearance of eight (8) days. Both parties agreed that DOH would change their process for the draw of the disbursements to an eight (8) day clearance from the current four (4) day draw pattern commencing with the March 2014 draw.	<p>March 1, 2014</p> <p>Denise Mennuti (609) 633-6800</p> <p>Jackie Shelly (609) 633-2104</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Special Supplemental Nutrition Program for Women, Infants and Children (10.557) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture		
<i>Special Tests and Provisions</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-023 No finding in prior year	<p>NJ Women, Infants and Children (WIC) is adding one additional staff person to assist with the one-to-one reconciliation. Training regarding the process has already begun with the additional employee. The review of documents will be distributed between the two employees with deadlines for completion assigned. The Food Delivery Services Program Manager will monitor the progress and review to ensure that all items have been reconciled. The new process of assignments and deadlines will begin immediately.</p> <p>Based on other assigned duties of the two employees handling this task, one additional full time position is needed for the Food Delivery Services Unit to help ensure that we remain in compliance with Federal Regulations. NJ WIC will submit all necessary paperwork through channels for seeking approval to fill the position needed.</p>	March 31, 2014 Melissa Briggs, Program Manager Food Delivery Services (609) 777-7737
Special Supplemental Nutrition Program for Women, Infants and Children (10.557) State Agency: Department of Health Federal Agency: U.S. Department of Agriculture		
<i>Special Tests and Provisions</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-024 No finding in prior year	<p>In December 2012, the NJ WIC Vendor Unit added two Special Service Hire staff to assist with compliance buys. Tracking and assignment systems were also developed.</p> <p>In review of compliance buys conducted during Federal Fiscal Year 2013 (October 1, 2012 to September 30, 2013), it was found that the Vendor Unit met its goal of 5 percent. Forty-six (46) compliance buys were required, given the number of approved vendors however, 61 Compliance Buys were conducted.</p> <p>NJ WIC Vendor Unit needs to add a full time staff person to assist with compliance buys and/or continue to utilize Special Service Hire positions in order to comply with federal regulations. NJ WIC will continue to monitor the need for additional staff and to seek approval to hire as necessary.</p>	July 1, 2013 Melissa Briggs, Program Manager Food Delivery Services (609) 777-7737
Immunization Cooperative Agreements (93.268) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Reporting</i>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-025 No finding	DOH has processes and procedures in place to ensure the integrity of the reporting on the annual SF-425 report. Procedures will be reviewed and updated if necessary to ensure that reconciliation is completed for cumulative expenditure reporting on multi-year grants.	April 1, 2014

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

in prior year		Walter C. Valora (609) 633-1528
HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Suspension and Debarment and Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-026 No finding in prior year	Letters of Agreement (LOAs) are primarily fee-based contracts and while processed through the System for Administering Grants Electronically (SAGE) similar to grant agreements they do not have the same grantee required forms coded into the system. The Department will revise procedures for processing these agreements to require that the form, Schedule G Certification of Debarment and Suspension that can be found on the Department's website, be completed and uploaded in SAGE by the grantee. The federal award information and compliance requirements will be also included in the LOAs. In addition, DOH will revise its procedures for processing LOAs to include Grants Management Officers (GMOs) researching the status of grantees and verified by staff in the Grants Management Unit.	July 1, 2014 Walter C. Valora (609) 633-1528
Immunization Cooperative Agreements (93.268) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services		
<i>Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-027 No finding in prior year	The Department's Vaccine Preventable Disease Program conveys staffing shortages that are (and have been) present in the program to the Centers for Disease Control and Prevention (CDC) during the program's annual technical site visit. As advised by the CDC, the program continues trying to fill vacancies so that we may meet our annual provider site visit percentage (50% of all Vaccines for Children providers). Due to hiring freezes and staff attrition, the program has not had the staff to conduct site visits to all of its identified providers (the program visited 31% of providers during 2013), but continues to ensure that CDC is kept abreast of its short fall in provider visits and staffing. During the third quarter of 2013, the program did get approval to hire 4 additional staff in order to meet our requirement, but the filling of those positions has been temporarily delayed.	July 1, 2014 Jillian Doss, VPD Program (609) 826-4861 Steven Bors, VPD Program (609) 826-4861
Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Immunization Cooperative Agreements (93.268) HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services		
<i>Cash Management</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-028 12-27	The process for the entering and approval of a cash receipt transaction to record the drawdown of federal funds was changed last year to include a third employee to ensure a proper segregation of duties. That process was implemented on March 1, 2013. We reviewed the	March 1, 2013

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<p>transactions included in the test work and, while we concede that the condition existed before March 1, 2013, found that the transactions processed after March 1, 2013 indicate the proper segregation of duties now exists.</p> <p>For the Special Supplemental Nutrition Program for Women, Infants and Children the supporting information for the draw down is provided by either a federal funds analyst from the Budget area of DOH or from the third party vendor (Solutran) that handles the WIC program allowing for appropriate segregation of duties. Occasionally adjustments have to be made when mistakes are made such as posting the draw against the wrong account in NJCFS.</p> <p>For the eight (8) Immunization Cluster drawdowns: Two (2) items pre-date the March 1, 2013 implementation of the new process adding a third employee; five (5) items were approved by the Assistant Director of Financial Services, not the administrative analyst preparing the data for the drawdown; One (1) item was reviewed by the Director of Financial Services before system approval was finalized.</p> <p>For the eight (8) HIV Care Formula drawdowns: Four (4) items pre-date the March 1, 2013 implementation of the new process adding a third employee; four (4) items were approved by the Assistant Director of Financial Services, not the administrative analyst preparing the data for the drawdown.</p>	<p>Denise Mennuti (609) 633-6800</p> <p>Jackie Shelly (609) 633-2104</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Health Federal Agency: U.S. Department of Homeland Security</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-029 12-31	<p>The Department will be reviewing its procedures for performing desk reviews to ensure compliance with the required six-month review period and for updating the GSA system timely to ensure proper communication regarding the status of subrecipient audit reports. The Audit Program has backfilled an auditor position vacated due to retirement that should help us with these compliance requirements.</p> <p>Treasury-OMB also updated the GSA system in May 2013 by instituting data edit checks that prevent users from entering invalid dates (e.g. received dates prior to fiscal year end dates) on the GSA Request Data Screen.</p>	<p>Fiscal Year 2014</p> <p>Walter C. Valora (609) 633-1528</p> <p>Marsha Lau (609) 633-2764</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-030 12-16 11-35	<p>Information requested by FEMA to approve a Project Worksheet (PW) from an applicant does not include DUNS, or FFATA forms. In order to address this finding from prior audits, we conducted several meetings, during which we established procedures to acquire this information from all applicants. For disasters prior to DR-4086 Sandy, procedures were put in place to obtain the FFATA forms from the applicants as part of the project close-out process. We understand that these forms are supposed to be obtained before the PW is approved, however, there is no way for that to be accomplished. Therefore, we decided to complete the forms before the PW can be</p>	<p>June 2014</p> <p>Jim Casarella, NJSP (609) 882-2000</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<p>closed out. The CFDA number is included on the FFATA form. Once signed, the FFATA form is e-mailed to the Office of the Attorney General (OAG) for entry into the SAM.gov system.</p> <p>For DR-4086 Sandy, and any future disasters, the State and the Division of State Police have implemented the NJEMGrants software program developed by MB3. The software enables the applicant to apply for assistance online after they have completed and returned the Memorandum of Understanding (MOU), which is required in order to setup an account. The MOU contains language ensuring that the applicant will comply with all federal and state laws. The applicant is able to download the MOU, complete, sign, and upload the form back into the System. Once verified, the applicant will be able to move into the PW phase.</p> <p>The DUNS is required as part of the initial application. The software is being enhanced to require a FFATA form to be filled out within the system, in order for an account to be activated. Once that enhancement is completed and implemented, OAG will run a report to enter all FFATA information into SAM.gov. That enhancement is expected to be implemented before the end of FY 2014.</p> <p>The CFDA numbers related to both the Public Assistance and Hazard Mitigation programs have been included in the information tabs for the disaster. This information is available to all applicants.</p>	
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p> <p><i>Reporting</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
<p>2013-031 12-20 11-40</p>	<p><i>LPS Response:</i> The Department will work with OMB, in order to create and implement procedures to ensure that transfers to other State agencies, and expenditures as reported on the FFR's, are reconciled on a timely basis. These procedures will include, as part of the review of reimbursement requests, ensuring that all State Departments provide a detailed analysis of the State accounts charged for the amount of the requested reimbursement. Any reimbursement requests that do not include this detailed analysis will not be processed. Additionally, once a transfer has been processed, an email is sent to the requestor advising them that they are receiving federal funds, and that they are responsible for ensuring that the federal expenditures are properly recorded in NJCFS and on the SEFA.</p> <p><i>Treasury-OMB Response:</i> The Office of Management and Budget (OMB) will issue a directive memorandum that will require State departments and agencies to submit a detailed listing of NJCFS State account numbers and corresponding expenditure amounts with each Project Worksheet reimbursement request submitted to the Department of Law and Public Safety (LPS). The list of State account charges/expenditures submitted must equal the total amount being requested for federal reimbursement from LPS. Furthermore, OMB will also require that upon the transfer and receipt of federal reimbursement funds from LPS to a State department or agency, the receiving agency will have 15 business days to reimburse their State accounts for charges listed and appropriately charge those expenditures to their federal accounts on NJCFS. These directives will provide accountability to receiving agencies for the timely processing and charging of federal expenditures and assist LPS with required reconciliation procedures for federal financial reports and the SEFA.</p>	<p>June 2014</p> <p>Lt. Walt Babecki, NJSP (609) 882-2000</p> <p>April 2014</p> <p>Brian Phillips (609) 984-1536 (Treasury – OMB)</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<i>Reporting</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-032 No finding in prior year	Due to this audit finding, the Disaster Recovery Unit Fiscal Office has instituted new procedures related to documentation of Federal Financial Reports (FFRs). The head of the Fiscal Office will not approve the FFRs without the appropriate supporting documentation attached. Copies of the FFRs and their supporting documentation must be maintained in the Fiscal Office of the Disaster Recovery Unit.	January 2014 Lt. Walt Babecki, NJSP (609) 882-2000
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Subrecipient Monitoring, Special Tests and Provisions</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-033 No finding in prior year	The Disaster Recovery Unit has greatly expanded in the last year, and added necessary procedures in order to properly review all documents. There are now trained staff members in place who review 100% of all Requests for Reimbursement (RFR) to ensure that all required documents are provided, and that all necessary signatures have been acquired before any payments are made. The additional staff and updated procedures will eliminate this finding next year.	January 2014 Lt. Walt Babecki, NJSP (609) 882-2000
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Cash Management</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-034 12-17 11-36	The three business day requirement in the State Administrative Plan was not communicated to the Disaster Recovery Unit until recently. We cannot retroactively change prior years activity, however, the Public Assistance Unit has put in a request with FEMA to amend the 2014 State Administrative Plan. The amendment changes “three business days” to “administratively feasible.” This corrective action is dependent on FEMA’s approval of the amendment. Once approved, the corrective action will be effective immediately.	February 2014 Lt. Patrick Gorman, NJSP (609) 882-2000
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-035 No finding in prior year	The State contracted with MB3 in January 2013, to develop and provide overall management of NJEMGrants, in order to efficiently process the unprecedented amount of disaster funds made available by FEMA in the aftermath of Disaster 4086-Superstorm Sandy. Considering the magnitude of the disaster, it was imperative to focus our efforts on bringing the software online and providing access to users, in order to expedite the process of getting funds to those in need. Once the software went online, our focus became user access	October 2014 Joseph Geleta, NJSP (609) 882-2000

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

and training. The Office of Emergency Management Recovery Bureau was established in May 2013 to lead the effort to process the high volume of activities associated with the recovery, and to develop and refine new business strategies to process this volume of work. At the time, the humanitarian mission took precedence over finalizing policies and procedures, and assuring that MB3 had proper controls over our software and database.

Now that the software is implemented and staffing in the Recovery Bureau is increasing, our efforts have shifted to documentation of processes, and development and implementation of policies and procedures. Additionally, we will seek a contract amendment to require MB3 to provide an audit in accordance with Statement on Standards for Attestation Engagements No. 16 (SSAE 16), Reporting on Controls at a Service Organization (formerly Statement on Auditing Standards No. 70), which requires an independent auditor to evaluate and issue an opinion on a service organization's internal controls placed into operation and tested for operating effectiveness, in order to assure proper controls over our software and database. Once we have this audit, many of our audit conditions will be resolved.

Although a formal procedure does not yet exist, NJEMGrants.org does have a robust automated user approval process for external users that is built into the system, and is documented in the vendor user guide. This requires our applicants to approve users associated with their accounts.

NJEMGrants system parameters are currently setup to require all users:

- To change their password every 90 days.
- To be automatically disabled by the system if they have not logged in for 90 days.
- To have 5 tries to enter their password correctly before their account is locked.
- To wait 30 minutes after too many incorrect password attempts before trying again.
- To create a password with a minimum length of 8 characters.
- To have a password complexity of at least 3 of these categories: uppercase, lowercase, numbers, and special characters.
- To create new password which must be changed 12 times without repeating.
- To have the system automatically log the user out after 30 minutes of inactivity.

Since MB3online is located in Canada, the Recovery Bureau does not have physical access to the data center. A process is in place to grant administrative access at the application level that would allow the user to create, modify and delete end-user access. However, administrative access to programs, database and operating system hosting the NJEMGrants application is handled by the third-party service organization MB3. As with all licensed software, this is by design.

While it is true that a formal process does not exist to revoke user access to NJEMGrants application, an informal process is currently in place that calls for all NJSP employees and contractors who are demobilized to be removed immediately from the system. Additionally, accounts are disabled by using mass email messages that are bounced back due to non-active emails, and when they are inactive for 90 days.

There is an informal process to test and approve changes requested by the State, however, there is no formal process related to changes that could potentially be performed by the third-party service organization. Currently, there is also an informal change management procedure for testing and releasing new versions that includes: validation, testing, report comparison, control numbers, management sign off, post implementation validation, and complete documentation. There currently is an informal emergency change management procedure for testing and releasing emergency changes. The emergency change management procedure includes: validation, testing, report comparison, and control numbers. The Recovery Bureau has been hiring staff specifically to finalize and document the new policies and procedures.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	Since the Recovery Bureau does not have access to make changes to the system, it is not possible to have access to migrate changes.	
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Law and Public Safety Federal Agencies: U.S. Department of Homeland Security U.S. Department of Transportation		
<i>Subrecipient Monitoring</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-036 No finding in prior year	<p>The Department of Law & Public Safety (DLPS) does not have a Departmental policy for notifying sub-grantees, however, each Division includes within the Sub-Grant Conditions (Special or General) of the contract a reference to Single Audit Act Amendments of 1996 and Federal OMB Circular, A-133. The Department will create guidelines for notification, in order to ensure that sub-grantees provide the audits as required.</p> <p>Once the Department of Treasury releases the GN09 report the newly established Subrecipient Monitoring Unit (SRMU) contacts the subrecipients to obtain the single audit. Follow-up is done via email and telephone to the individual agencies until the single audits are received for review. Once received SRMU enters the necessary information into GSA.</p>	October 2014 Sandra Homoki (609) 984-3977
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Equipment</i>		
FINDING #¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-037 12-21	<p>The Office of Homeland Security and Preparedness (OHSP) Grant Agreement requires State agency sub-grantees to comply with the laws, rules, regulations and requirements to include, but not limited to, the Department of the Treasury, Office of Management and Budget Circular Letters clarifying policies for fixed asset and equipment inventory, regardless of funding source. The Departments and their agencies are required to, at all times, track equipment inventory and location changes for all assets with an original cost of \$1,000 or more. The Departments are also required to conduct an annual physical inventory of all assets and submit an asset certification to the Department of Treasury, Office of Management and Budget. OHSP does not own or utilize a statewide asset tracking system with the technical ability to locate and/or account for all assets purchased with Homeland Security funding for any given moment in time. OHSP does not possess legal authority or staff to enforce these policies on State and local government agencies. OHSP will recommend that the Division of State Police (DSP) review and strengthen their asset management procedures to ensure compliance with Federal requirements. The Office of Strategic Planning, within the Office of the Attorney General, is available to assist DSP with this process.</p> <p>The Office of Medical Examiner (OME) purchased the generators with State share funding therefore utilizing the State's object code structure. In the future, (OME) will use the correct object code to local recipients when purchasing goods and services on their behalf.</p> <p>OHSP will recommend the NJSP itemize and classify all future procurements and process in accordance with the OMB accounting object code structure.</p>	October 1, 2014 William Kelly, OHSP (609) 584-4179

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

Housing Voucher Cluster (14.871, 14.879) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Housing and Urban Development		
Reporting		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-038 No finding in prior year	The Department will implement additional review procedures to ensure that it maintains and reconciles the Voucher Management System (VMS) supporting documentation to the VMS report itself as of the date of submission.	May 1, 2014 Robert J. Bartolone Director, Office of Auditing (609) 984-2698
Foster Care – Title IV-E (93.658) Adoption Assistance (93.659) State Agencies: Office of Information Technology Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
Other Requirements – Information Technology General Controls		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-039 12-10 11-28 10-17 09-28 08-6	<p>1. <u>Disaster Recovery Test</u></p> <ul style="list-style-type: none"> • A complete Disaster Recovery (DR) test was not performed for NJSPIRIT during State Fiscal Year 2013. It was noted that a partial test was performed, but did not incorporate all the requirements for an overall DR test. <p><u>Response:</u> A DR test was performed in August 2010, which provided valuable insight into the planning and design of NJSPIRIT's new DR environment. The necessary hardware for the new DR environment was purchased by the end of state fiscal year 2013. Since that time, the Department of Children & Families (DCF) has worked with the Office of Information Technology (OIT) and Department of Human Service (DHS) on building this new environment and a DR test is scheduled to take place by the end of state fiscal year 2014.</p> <p>2. <u>User Access Provisioning</u></p> <ul style="list-style-type: none"> • User access modifications to NJSPIRIT and supporting approvals could not be validated, as the NJSPIRIT application does not maintain a system log of changes that were made during State Fiscal Year 2013. It was noted that DCF developed a NJSPIRIT enhancement to capture worker profile history, which in turn will allow for accurate validation of the internal controls surrounding user access modifications. This enhancement was released into production mid-State Fiscal Year 2013 (November 2012). <p><u>Response:</u> DCF manually captures all user access modification requests related to NJSPIRIT throughout the year. DCF has established protocol concerning the documentation, approval, and maintenance of these modifications requests. Due to a decision made by DCF administration, that security is decentralized and these manual records are kept in local offices throughout the State. As an internal check, DCF conducts an annual NJSPIRIT user access review to ensure that all user access is up to date and correct. At this time, the</p>	<p>Fiscal Year 2014</p> <p>Jason Ciseck - DCF (609) 888-7267</p> <p>Fiscal Year 2013</p> <p>Jason Ciseck - DCF (609) 888-7267</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
VIEWS OF RESPONSIBLE OFFICIALS
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

	<p>centralized NJSPIRIT security unit randomly samples 10% of these offices to further ensure that the day-to-day access modification protocol is being followed throughout the year and proper documentation is kept.</p> <p>DCF acknowledges that this current system is manual and is unable to be audited from within NJSPIRIT. DCF will pursue the recommendation of maintaining a system log of user accounts. The NJSPIRIT application will need to be enhanced to allow for the capturing of the historical user account information. Progress toward implementation has been made.</p> <p>DCF has developed a NJSPIRIT enhancement to capture worker profile history, which in turn will allow for accurate validation of the internal controls surrounding user access modifications. This enhancement was released into production mid-State Fiscal Year 2013 (November 2012).</p>	
<p>Capitalization Grants for Clean Water State Revolving Funds (66.458) State Agency: Department of Environmental Protection Federal Agency: U.S. Environmental Protection Agency</p> <p><i>Reporting</i></p>		
FINDING # ¹	VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN	COMPLETION DATE/ CONTACT PERSON
2013-040 No finding in prior year	The existing procedure to secure FFATA forms from the loan recipients is not timely enough to ensure completion within the required timeframe to satisfy federal requirements. Rather than requesting borrowers complete the FFATA forms within 30 days of closing, new procedures have been developed to require project sponsors complete and submit the forms prior to, or concurrently at, loan closing in State FY 2014 and beyond. With the earlier submittal of the FFATA forms, the applicable data can be entered into the database within the required timeframe.	<p>January 7, 2014</p> <p>Scott Shymon (609) 292-3114</p>

¹ Current and prior year finding number(s)

STATE OF NEW JERSEY SINGLE AUDIT

FISCAL YEAR 2013



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
Subrecipient Monitoring		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-1 11-2 10-1 09-1 08-1 07-42	<p>The Bureau of Quality Control (BQC) concurs with this finding.</p> <p>In order to correct this situation, the Division of Medical Assistance & Health Services (DMAHS) recently added four Quality Control Reviewers to the six existing field staff members in an effort to review 87 cases per month State wide at the County Welfare Agencies (CWA). This will enable the BQC to remain current for the Federal Fiscal Year 2013 & State Fiscal Year 2013 PERM Medicaid and MEQC Review. The Department is operating on an approved Sampling Plan by the Center for Medicare & Medicaid Services (CMS) and the DMAHS complies with the CMS requirement of 1044 cases annually. The Corrective Action Plan submitted to CMS outlines several ongoing initiatives by the DMAHS to resolve the problem of completing redeterminations on a timely basis. As of March 1, 2013, the average redetermination percentage performed by the counties reached 63% and the Division anticipates that by the end of this fiscal year it will be in excess of 70%. The implementation of the Consolidated Assistance Support System (CASS) in Fiscal Year 2014 will solve the issue of timely redeterminations.</p>	<p>The BQC expects to have reviewed all of the 1044 cases for SFY '13 by the end of November. As of October 31, 2013, the average redetermination percentage performed by the counties reached 86%. Implementation of CASS in Fiscal Year 2014 will solve the issue of timely redeterminations. Sharon Metro is now the Director of the BQC.</p> <p>Sharon Metro Acting Director - BQC (609) 588-3792</p>
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		
Reporting		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-2 No finding in prior year	<p>The Board of Public Utilities (BPU) will require an independent audit of its Information Management System (IMS) or equivalent, which is managed by the NJ Clean Energy Program (NJCEP) Administrator. The audit will conform to Statement on Standards for Attestation Engagements No.16 (SSAE 16).</p> <p>The BPU is currently writing the Request for Proposal (RFP) for this audit and will issue it before June 30, 2013, the end of the grant Period of Performance.</p>	<p>The BPU Request for Proposal (RFP) for this audit as issued June 19, 2013 and a contract was issued July 10, 2013 to Yusufali & Associates LLC to perform the audit of the AEG IMS system. The audit is currently underway and expected to be completed during the 4th quarter of CY 2013.</p> <p>The corrective action was not taken or implemented during the fiscal year ended June 30, 2013. This matter is an open finding and not resolved.</p>
ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<i>Cash Management</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-3 No finding in prior year	<p>The following actions were undertaken by the Board of Public Utilities (BPU) to create and establish the Revolving Loan Fund (RLF):</p> <ul style="list-style-type: none"> • BPU Board Order authorizing the creation of the RLF was issued in April 2012. • Memorandum of Understanding (MOU) was executed with the New Jersey Economic Development Authority on May 10, 2012. • Funds were transferred to the RLF on May 29, 2012. 	No change to original plan.
<p>ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy</p>		
<i>Davis-Bacon Act</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-4 No finding in prior year	<p>The Information Management System (IMS) employs a “pink logic” for Davis-Bacon Act compliance. This logic highlights in pink all invoices that require review for Davis-Bacon Act (and Buy American) compliance, and prevents said invoices from being approved for payment until the certified payrolls have been reviewed. For some ARRA State Energy Program programs, these certified payrolls were uploaded into IMS as supporting documentation. However, this did not occur uniformly across all programs.</p> <p>BPU will require that all documents demonstrating compliance to federal flow down requirements be uploaded into IMS as a condition of payment. This requirement will be effectuated via a policy memorandum sent to NJ Clean Energy Program (NJCEP) staff and Applied Energy Group, Inc. (AEG) prior to June 30, 2013.</p>	No change to original plan.
<p>ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy</p>		
<i>Reporting</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-5 No finding in prior year	<p>The BPU indicated in the Memorandums of Understanding (MOUs) with other state agencies the requirement that said state agency comply with all federal flow down requirements of the grant, including the requirement to verify that vendors and contractors receiving grant funds are not suspended or debarred. Going forward all federal flow down requirements will be listed and identified in MOUs. In addition, all subrecipients will be required to submit a suspension and debarment certification as a condition of payment. Said certification will be uploaded into IMS. This requirement will be effectuated via a policy memorandum sent to NJCEP staff and AEG prior to June 30, 2013.</p>	The corrective action was not taken or implemented during the fiscal year ended June 30, 2013. This matter is an open finding and not resolved.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<p>ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy</p> <p><i>Procurement and Suspension and Debarment</i></p>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-6 No finding in prior year	<p>BPU maintains emails documenting the verification of expenditures and unliquidated obligations between IMS and the NJ Comprehensive Financial System on a monthly basis. However, BPU will formalize the process within IMS by implementing a “blue logic” which requires BPU Fiscal sign off as to the accuracy and completeness of the IMS reports which provide the data for both the FFRs and OMB 1512 reports.</p> <p>The quarterly FFR report for June 30, 2012 was not submitted at the request of the US Department of Energy (USDOE). During the same week that KPMG was on site performing audit fieldwork, USDOE was also in town working with BPU and the IMS to perform data quality verification. A draft of the FFR report was filed with USDOE on March 1, 2013 and awaits USDOE review. This “final” report issue remains in flux with USDOE due to Hurricane Sandy and NJ’s need for emergency relief funds that resulted in USDOE reopening the ARRA State Energy Program grant and extending the Period of Performance to June 30, 2013.</p>	The corrective action was not taken or implemented during the fiscal year ended June 30, 2013. This matter is an open finding and not resolved.
<p>ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy</p> <p><i>Subrecipient Monitoring and Special Tests and Provisions</i></p>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-7 No finding in prior year	<p>BPU will include all CFDA numbers on subrecipient award documents (i.e. MOUs, checks, etc.) and will require all first-tier subrecipients to submit a suspension and debarment certification. This certification document will be uploaded to IMS as a condition of payment. The BPU fiscal officer will also include the CFDA number on all checks issued as payments against the ARRA State Energy Program (SEP) grant. These requirements will be effectuated via a policy memorandum sent to NJCEP staff and AEG prior to June 30, 2013.</p> <p>BPU has site visit reports on hand and available for review from NJ Transit and EDA projects.</p>	The corrective action was not taken or implemented during the fiscal year ended June 30, 2013. This matter is an open finding and not resolved.
<p>ARRA – State Energy Program (81.041) State Agency: Board of Public Utilities Federal Agency: U.S. Department of Energy</p> <p><i>Reporting</i></p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-8 No finding in prior year	<p>BPU State Energy Program (SEP) fiscal operations had been divided between the BPU Fiscal Office and the Department of the Treasury Administration Division during the period of State Fiscal Year 2012. Review of the annual Schedule of Expenditures of Federal Awards (SEFA) report was not coordinated between these organizations.</p> <p>During the 3rd quarter of State Fiscal Year 2012, all BPU SEP grant fiscal responsibilities were transferred to the Treasury Division of Administration; this transfer will ensure a coordinated review of the OMB issued SEFA report at the end of each fiscal year. Treasury has reviewed reporting requirements with OMB and will continue to implement expenditure coding consistent with reporting requirements.</p>	No change to original plan. Corrective actions implemented as of July 1, 2013.
<p>Adoption Assistance (93.659) State Agency: Department of Children and Families Federal Agency: U.S. Department of Health and Human Services</p>		
<i>Eligibility</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-9 11-25 10-16 09-26 08-25 07-41	<p>1. <u>Adoption Subsidy Agreement</u></p> <p>The audit noted that in nine out of sixty-five cases, the Department of Children & Families (DCF) did not receive the subsidy agreement renewal form for State Fiscal Year 2012. There are no questioned costs associated with this finding, as the renewal form is required to comply with Departmental policy however; it is not required on an annual basis according to Federal regulations.</p> <p><u>Response:</u></p> <p>DCF has drafted a new Adoption Subsidy agreement and annual notification letter that was implemented into policy. The corrective action was completed on 5/14/2012 by changing the policy in reference to the annual notice. This year findings of the final notice represent occurrences noted prior to the implementation of the corrective action listed above.</p> <p>Families will sign an Adoption Subsidy Agreement that still notifies them of their responsibility to notify DCF of any change and the possible consequences of their failure to do so. DCF will then annually send them a notification of their legal obligation to their adopted child and reminding them that “unless they notify us of any changes to their or their adopted child’s eligibility for the adoption subsidy, that the Division will continue to provide them with monthly subsidy payments”. DCF will maintain a copy of this annual letter in our files. As of 5/14/2012, DCF modified its annual renewal process and upgraded the Adoption Subsidy policy to reflect the stated changes in the process.</p>	No change to original plan. Corrective action completed May 2012.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Foster Care Title IV-E (93.658) Adoption Assistance (93.659) State Agencies: Office of Information Technology Department of Children and Families Federal Agency: U.S. Department of Health and Human Services		
<i>Other Requirements – Information Technology General Controls</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-10 11-28 10-17 09-28 08-6	<p>1. <u>Disaster Recovery Test</u></p> <ul style="list-style-type: none"> • A disaster recovery test was not performed for NJSPIRIT during State Fiscal Year 2012. <p><i>Response:</i> The Department of Children & Families (DCF) has been working with the Office of Information Technology (OIT) and we expect the new Disaster Recovery (DR) environment to be procured within State Fiscal Year 2013. A DR test was performed in August 2010 and has provided valuable insight into the planning and design of NJSPIRIT's new DR environment. The completion of this new DR environment is reliant on OIT purchasing the needed equipment. Progress toward implementation has been made. The DR test is reliant upon the procurement and development of the DR environment, which is scheduled for State Fiscal Year 2013.</p> <p>2. <u>User Access Provisioning and Monitoring</u></p> <ul style="list-style-type: none"> • User access modifications to NJSPIRIT and supporting approvals could not be validated, as the system does not maintain a listing/log of changes that were made in the system. <p><i>Response:</i> Currently, DCF manually captures all user access modification requests related to NJSPIRIT throughout the year. DCF has established protocol concerning the documentation, approval, and maintenance of these modifications requests. Due to a decision made by DCF administration, that security is decentralized and these manual records are kept in local offices throughout the State. As an internal check, DCF conducts an annual NJSPIRIT user access review to ensure that all user access is up to date and correct. At this time, the centralized NJSPIRIT security unit randomly samples 10% of these offices to further ensure that the day-to-day access modification protocol is being followed throughout the year and proper documentation is kept.</p> <p>DCF acknowledges that this current system is manual and is unable to be audited from within NJSPIRIT. DCF will pursue the recommendation of maintaining a system log of user accounts. The NJSPIRIT application will need to be enhanced to allow for the capturing of the historical user account information. Progress toward implementation has been made.</p> <p>DCF has developed a NJSPIRIT enhancement to capture worker profile history, which in turn will allow for accurate validation of the internal controls surrounding user access modifications. This enhancement was released into production mid-State Fiscal Year 2013 (November 2012).</p>	<p>No change to original plan. Still anticipate an implementation date by the close of Calendar Year 2013.</p> <p>Jason Ciseck (609) 888-7267</p> <p>No change to original plan. Progress toward implementation has been made during FY 2013.</p> <p>Jason Ciseck (609) 888-7267</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Child and Adult Care Food Program (10.558) State Agency: Department of Agriculture Federal Agency: U.S. Department of Agriculture		
<i>Subrecipient Monitoring</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-11 No finding in prior year	<p>The Child and Adult Care Food Program (CACFP) unit initiated immediate corrective action regarding the administrative review oversight noted. The Nutrition Program Specialist responsible for this institution immediately conducted an administrative review on November 15, 2012 and program deficiencies were identified. The institution has submitted corrective actions and they are currently being reviewed to complete the administrative review process. This finding was due to a manual data entry error and the missing agreement number and sponsor information have been added to the CACFP Administrative Review Log. The CACFP unit will manually verify the Administrative Review log to insure that all sponsors are included to avoid this error in the future.</p> <p>The Division of Food and Nutrition is also in the process of procuring an online web-based system for the administration of the Child and Adult Care Food Programs. This new online system will help improve data integrity and program administration.</p>	<p>No change to original plan. Administrative Review completed in November 2012.</p> <p>No change to original plan. NJDOA is engaged in the implementation of an online web-based system for the administration of the Child and Adult Care Food Program (CACFP) in order to enhance and simplify processes and program administration. This new web based system will replace the current paper process, allowing for on-line data entry of CACFP institution and facility information, thus reducing error by manual tracking and calculation, improving timely submission of data, and increasing program efficiencies. This system will be implemented using a three-stage approach over FY 2014 and FY 2015.</p>
Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation		
<i>Davis-Bacon Act</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-12 11-33 10-24 09-34	<p>The Division of Civil Rights/Affirmative Action's Wage Rate Unit has established internal controls, including the development of internal Wage Rate tracking and monitoring forms to ensure that wage rate inspections are completed and that payroll summaries, certified payrolls, and documentation of inspections are submitted timely.</p>	<p>No change to original plan. Progress is being made with respect to compliance with the Wage Rate Unit's processes and is ongoing (for construction projects awarded on or after July 1, 2012).</p>
Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation		
<i>Reporting</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-13 No finding in prior	<p>The NJ Department of Transportation (NJDOT) recognizes that it is not in compliance with the Federal OMB requirements that all grant subawards (contracts or sub-grants) of \$25,000 or more, issued beginning October 1, 2010 must be reported through www.frs.gov.</p>	<p>No change to original plan.</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

year	<p>To bring NJDOT into compliance it is taking the following action steps:</p> <ol style="list-style-type: none"> 1. Convene a working group by February 7, 2013, chaired by the Assistant Commissioner, Capital Investment, Planning and Grant Administration for the purpose of developing procedures to compile this information and report it accordingly. <ol style="list-style-type: none"> a. The group targets development of draft Policy and Procedures by April 30, 2013. b. The group will seek to take advantage of mechanisms developed for ARRA reporting that minimize duplicate data entry and ensure quality data. c. New mechanisms may have to be developed to facilitate reporting. These may require work that extends beyond April 2013. 2. The first priority for reporting into www.fsr.gov is the Federal Fiscal Year 2012 data, i.e., data for sub-grants and contracts made October 1, 2011 and later. The goal will be to get Federal Fiscal Year 2012 data current in www.fsr.gov by June 30, 2013. 3. NJDOT will work to report on Federal Fiscal Year 2013 data while ensuring that 2013 reporting is maintained. 	<p>Draft Reporting Policy and Procedures were completed April 30, 2013</p> <p>FFATA reporting of all available data for years 2012 and newer was completed by June 2013. We were not able to gather certain data related to subgrantees' salaries and subgrantees DUNS numbers and addresses.</p> <p><u>New Action Item:</u> Identify subgrantees' DUNS numbers and addresses and report them. We are currently executing a contract with NJIT to perform this work as well as future reporting on our behalf.</p> <p><u>New Action Item:</u> Establish in procedures a mechanism to gather subgrantee salaries in accordance with USOMB reporting requirements. Will incorporate in final procedures.</p> <p><u>New Action Item:</u> Complete final procedures by December 31, 2013.</p>
<p>Highway Planning and Construction Cluster (20.205, 20.219) State Agency: Department of Transportation Federal Agency: U.S. Department of Transportation</p> <p><i>Subrecipient Monitoring and Special Tests and Provisions</i></p>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-14 No finding in prior year	<p>Current procedures were updated to clearly define review and reporting responsibilities and references to the Grantee Single Audit Tracking System (GSA) site. The desk review checklist was updated to address ARRA requirements. A SharePoint site is available to maintain required submitted subrecipient single audits, procedures, guidelines, and desk review results. Division management is preparing a calendar of financial reporting events including Single Audit reviews that will include e-mail notifications to responsible parties to address due dates. There is a plan to transfer these functions to the Bureau of Auditing as a more appropriate area to comply with Federal OMB A-133 requirements and perform follow-up reviews.</p>	<p>No change to original plan.</p> <p>Updated Procedures: Completed February 25, 2013</p> <p>Data Uploaded for FY12: Completed March 1, 2013</p> <p>Transfer of Responsibility: Completed March 1, 2013</p> <p><u>New Contact:</u> Barbara DeLucia - (609) 530-2343</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agencies: Department of Law and Public Safety Department of Transportation Federal Agency: U.S. Department of Homeland Security</p> <p><i>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</i></p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-15 No finding in prior year	Operations Support has recently established an Operations Systems Support Unit (OSU). In addition to other supporting programs, the OSU primarily manages and supports the Maintenance Management System (MMS). This Unit will review and ensure that all data entered that supports disaster reimbursement are correct. (i.e. the FEMA tables) Additionally, before any reimbursements are submitted a final review of costs will be performed for greater accuracy.	No change to original plan. <u>October 2013 Update</u> - Operations Support established an Operations Systems Support Unit that is successfully interfacing with the FHWA and the FEMA to ensure that disaster reimbursements are correct. Additionally, communication is on-going to ensure that any changes to reimbursement policies or directives can be translated and incorporated so accuracy is attained and redundancy is eliminated, to the best of our ability.
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Matching, Suspension and Debarment, and Subrecipient Monitoring</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-16 11-35	<p>Information requested by FEMA to approve a Project Worksheet (PW) from an applicant does not include DUNS, FFATA, and Suspension and Debarment forms. Processes are now in place to obtain the FFATA and Suspension and Debarment forms from the applicants, but this is done after a project is approved and underway, or after a project has been completed and reimbursement requested. In order to address these concerns, as well as to effectively manage the entire Public Assistance program, the State and the Division of State Police (NJSP) are implementing an MB3 disaster and emergency management system. The software application will enable the applicant to download the required forms (FFATA, Debarment, etc.), complete, sign, and upload the forms back into the System. The suspension and debarment information will be entered into the Federal Excluded Parties List System (EPLS) database, www.SAM.gov, to assure they are not on the list. Once verified, the applicant will be able to move into the PW phase. A consulting firm has been brought on to oversee the process flow. In the interim, the NJSP and the NJ Office of the Attorney General will coordinate efforts to obtain and record all required information.</p> <p>For the open disasters that have been implemented, processes already have occurred and payments have been completed; however, efforts are being made to obtain the required above information from all of the applicants with approved PWs.</p> <p>Regarding match requirements, the NJ Office of the Attorney General will assist the NJSP in ensuring that all requirements are met and that necessary documentation is provided. Currently, 50% of all funds for large projects are being held until the match is verified and documented.</p>	<p>MB3 is serving as a database for the information for DR-4086 Sandy. An MOU is being collected which includes the S&D information, and the system is being programmed to require FFATA information. That FFATA information will be on a report run at OAG for input into FSRS on a regular basis. For prior disasters, both a suspension & debarment, and FFATA form are being included as part of the closing package. A PW cannot be closed out without the information. Copies of completed FFATA forms will be forwarded to OAG for input into FSRS as they are collected.</p> <p>Some FFATA forms have been collected for prior disasters. Efforts are being made to enter them into FSRS when the disasters are properly entered into the system.</p> <p>No change to original plan regarding matching requirements.</p>
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<i>Cash Management</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-17 11-36	<p>Of the 65 payments selected, 63 were paid within 22 days, and all but one of those was paid within 15 days. There were two payments where the payment dates were 299 days and 461 days, however, these were the exception. The NJSP Grants Administration Bureau (GAB), and the Public Assistance Unit (PAU) have improved their coordination and information sharing to drawdown funds as close as administratively possible to the actual payment to a subrecipient. The acquisition of additional Emergency Management Mission Integrated Environment (EMMIE) terminals, and staff added to the PAU have greatly assisted in this effort. Accordingly, the amount of time funds are held on-hand has been further reduced.</p> <p>Additionally, new procedures are in place that prohibit excess funds from being utilized for payment to another subrecipient. Excess funds are now returned as quickly as possible, after the determination that the funds were not needed for the specified Project Worksheet (PW).</p> <p>The MB3 system will address these issues and narrow the gap between drawdowns and payments. Documents will be approved, and the System will prevent the delays as well as allow for post drawdown and payment reconciliation.</p>	New procedures have been implemented which significantly reduce the time between drawdowns and payments. The Department is working to amend the 2014 State Administrative Plan to request draws be performed as close as administratively feasible to the date of actual cash outlays. This is expected in FY 2014.
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p>		
<i>Period of Availability</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-18 11-37	<p>The proposed MB3 system will include a work completion date for every Project Worksheet (PW). There is a formal FEMA process to request extensions which is monitored in the System. FEMA, based on the size of the disaster, programmatic changes, and changes to the CFR, may issue a blanket extension for the projects. Formal letters are issued and the extensions will need to be entered into the System. The Public Assistance Unit will notify the subrecipients of the extensions. With this new System, projects will be monitored for completion and time extension reviews.</p>	The MB3 system tracks all dates for all PW's for DR-4086 Sandy. For all previous disasters, we have contracted with O'Brien's Response Management to create close-out teams. These teams' sole purpose is to close-out all open project worksheets for previous disasters. Most of these dates are long past, however, due to staffing shortages, and the new disaster, the previous disasters were not addressed until now.
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p>		
<i>Reporting</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-19 11-38	<p>Information requested by FEMA to approve a Project Worksheet (PW) from an applicant does not include DUNS, FFATA, and suspension and debarment forms. Processes are now in place to obtain the FFATA and suspension and debarment forms from the applicants, but this is done after a project is approved and underway, or after a project has been completed and reimbursement requested. In order to</p>	Suspension and Debarment information for DR 4086-Sandy, is being included in the MOU required to be signed by all recipients who have a signed PW. MB3 is being programmed to require information for FFATA reporting, and that information will be required to be certified

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<p>address these concerns as well as to effectively manage the entire Public Assistance Program, the State and the Division of State Police (NJSP) will utilize the MB3 software program.</p> <p>The software will enable the applicant to download the required forms (FFATA, Debarment, etc.), complete, sign, and upload the forms back into the System. Once verified, the applicant will be able to move into the PW phase. In the interim, the NJSP and the NJ Office of the Attorney General will coordinate efforts to obtain and record all required information.</p> <p>For the open disasters that have been implemented, processes already have occurred and payments have been completed; however, efforts are being made to obtain the required above information from all of the applicants with approved PWs.</p> <p>It should be noted that FFATA information can only be entered into FSRS if the Public Assistance Grant with which that sub-grant is associated has been entered into FSRS. To date, FEMA has not entered any Public Assistance Grants into FSRS, making it impossible for the information to be entered. On a regular basis, the Department will make an effort to enter FFATA information into FSRS, and will document that effort going forward.</p>	<p>before any further payments are made. For previous disasters, the Suspension and Debarment form, as well as the FFATA, has been added to the close-out packages used by the close-out teams.</p>
<p>Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p> <p><i>Reporting</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">ORIGINAL CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">UPDATED PLAN</p>
<p>12-20 11-40</p>	<p>The NJSP and the NJ Office of the Attorney General will communicate with the NJ Treasury-Office of Management and Budget (NJOMB) to review operating procedures which outline instructions for agencies that transfer funds via an inter-governmental transfer. The agency or the recipient of these funds should have accurate reporting instructions when these transfers are complete. Currently, the Division is using a Business Objects report to capture which agency receives each transfer for the said time period. A comprehensive procedural guideline will eliminate the above condition.</p>	<p>The information gathered in order to file the quarterly reports disseminates between transfers to State agencies and actual expenditures. The transfers are included as an expense by the conduit agency and are not recorded as expenses by the subgrantee agency. Corrective action to be taken during FY 2014.</p>
<p>Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p> <p><i>Equipment</i></p>		
<p>FINDING #¹</p>	<p style="text-align: center;">ORIGINAL CORRECTIVE ACTION PLAN</p>	<p style="text-align: center;">UPDATED PLAN</p>
<p>12-21 No finding in prior year</p>	<p>The NJ Office of Homeland Security & Preparedness (OHSP) follows its Fixed Asset Inventory Policy 2010-04 for all assets with an original cost of \$1,000 or more. The OHSP Facilities Unit records all items received on the Equipment Delivery Receipt form 2010-04A regardless of cost. If the asset's cost is \$1,000 or greater, it is bar coded and recorded in the OHSP's Master Inventory Database. If an asset meets the capital criteria established by the NJOMB Circular Letter 11-18-OMB, it is recorded in the Land, Building Asset Management (LBAM) database system. All fixed Assets are tracked and recorded in the accordance with the NJOMB Circular Letter 11-19-OMB. When OHSP purchases equipment on</p>	<p>The Office of Management and Budget (OMB) has established the Asset Inventory Requirements (Equipment-Tangible and Intangible) 11-19-OMB Circular for all State Agencies. OHSP strictly adheres to Circular 11-19-OMB for all assets with an original cost of \$1,000 or more. OHSP purchases equipment on behalf of other agencies during the course of a grant period. OHSP assumes these State agencies adhere to Circular 11-19-OMB for assets we purchase on their behalf. OHSP</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<p>behalf of State or local government agencies and the equipment is delivered to-site, OHSP records delivery of the asset(s) on form 2010-04A. When the receiving agency representative arrives to claim the purchased equipment, they are required to verify the equipment and sign the OHSP Equipment Inventory Transfer Form 2010-04B. This form indicates the receiving agency shall assume all responsibility for the equipment and will record it in their inventory system. The OHSP Equipment Inventory Transfer Form 2010-04B is not processed when equipment is delivered and received by the State and/or local government agency.</p> <p>For any future equipment purchases processed on behalf of any State or local government agency, OHSP will require the agency to complete and sign the Equipment Inventory Transfer Form 2010-04B.</p> <p>All subgrantees receiving Federal Homeland Security Grant Program funding sign the State of New Jersey Federal Grant Agreement. The Grant Agreement outlines the Post-Award Requirements for subgrantees. The Grant Agreement Section XIII. Property Management and Disposition Standards detail the subgrantees responsibility for managing and disposing of assets.</p> <p>The Division of State Police (DSP) converted their inventory control system from FoxPro to INFORDATABASE. However, during the conversion, some of the data was corrupted. While DSP was able to identify and locate the equipment selected, the data corruption made it difficult to match the serial number to the piece of equipment. It should be noted that the selected equipment was able to be identified as purchased from the respective grant during the timeframe of the audit year's expenditures. Even though similar equipment may have been purchased, those purchases did not fall within the fiscal year of audit. In addition, each unit responsible for the equipment selected was available to meet with the auditor for visual inspection of the equipment. Inventory procedures are now in place to ensure the capture of all relevant inventory information.</p>	<p>requires all State agencies to sign the OHSP Equipment Inventory Transfer Form upon receipt of assets purchased by our office. When procuring on behalf of county and local municipalities, OHSP requires the asset recipient to sign the OHSP Equipment Inventory Transfer Form upon receipt of goods. It is the subgrantees responsibility to track all assets purchased with homeland security funding. OHSP outlines the inventory and disposition requirements in the subgrant agreement signed the agency executive.</p> <p>No change to original plan.</p>
<p>Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security</p> <p><i>Suspension and Debarment</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-22 No finding in prior year</p>	<p>The NJ Office of Homeland Security & Preparedness (OHSP) Grant and Program Management Bureau will build into its Grants Tracking System a requirement that a signed sub-grant agreement is on file prior to authorizing grant expenditures. The OHSP Fiscal Office will also check and document that the subgrantee is not listed on the federal Excluded Parties List System (EPLS) by reviewing EPLS record through the following federal link: https://www.sam.gov/portal/public/SAM</p> <p>OHSP sub-grant agreements will also specifically state that these requirements also apply to lower tier subrecipients who may receive funding or payments (pass-through) from the primary recipient.</p>	<p>The OHSP Grant and Program Management Bureau's (GPMB) Grants Tracking System, which is still undergoing a major rewrite/upgrade scheduled to be completed for use in the FFY14 cycle, will in fact include a trigger/requirement that a signed subgrant agreement is on file prior to authorizing expenditures. Until that time, the GPMB grant liaisons have been directed to ensure a signed, executed subgrant award agreement is on file prior to authorizing subgrantees to incur costs (in effect for the FFY13 funding cycle and all prior year subgrant awards). The OHSP fiscal office currently verifies that subgrantees are not listed on the EPLS. All OHSP subgrant award agreements state that the subgrantee must also verify that all vendors they intend to do business with are not listed as an excluded entity on the federal system</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

		for award management (SAM) or a debarred agency on New Jersey's Consolidated Debarment Report. Additionally all subgrant award agreements state that the subgrantee shall make a copy of the search results and retain it with the other procurement documents that will be subject to audit at a later time by GPMB audit staff.
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Reporting</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-23 No finding in prior year	On January 23, 2013, the NJ Treasury-Office of Management and Budget (NJOMB) corrected the CFDA numbers in the NJ Comprehensive Financial System. NJOMB verified this correction was made and provided our office with the Federal A-133 Compliance Supplement for our review and action for future Homeland Security grant awards. The NJ Office of Homeland Security & Preparedness (OHSP) will adhere to the requirements outlined in the Federal A-133 Compliance Supplement.	The corrective action was completed prior to the FY 2012 LPS audit exit conference. OHSP will continue to use the correct CFDA numbers.
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		
<i>Reporting and Subrecipient Monitoring</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-24 No finding in prior year	The NJ Office of Homeland Security & Preparedness (OHSP) Grant and Program Management Bureau have recently entered some required data under FFATA into the www.fsr.gov system. We have experienced a technical problem and requested federal assistance to remedy our data entry problem we are experiencing. Federal support to address the issue is lacking. Collection of the DUNS number for each subgrantee agency will become a requirement within our Grant Tracking System.	The OHSP GPMB continues to ensure that it fully complies with FEMA's 45-day award requirement for the 80% pass through funding. The GPMB has notified FEMA Grants Preparedness Directorate about the discrepancy between the compliance supplement used by KPMG and additional authoritative guidance that is issued out by FEMA on this matter which advises OHSP that they were being extended. On August 29, 2013, FEMA Grant Preparedness Directorate's Pat Gavin sent the following statement to OHSP in reference to what the deadline was for the FY13 HSGP 45 day pass through requirement which equates to be November 14, 2013: "45 days from October 1 st ." Note FEMA also advised the 45 days are calendar days not workdays. All FY13 HSGP local share 80% pass through subgrants were issued out by OHSP on or before September 20, 2013, well within the November 14, 2013 deadline.
Homeland Security Grant Program (97.067) State Agency: Department of Law and Public Safety Federal Agency: U.S. Department of Homeland Security		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<i>Special Tests and Provisions</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-25 No finding in prior year	<p>The NJ Office of Homeland Security & Preparedness (OHSP) will adhere to the 45-day award requirement. While OHSP understands KPMG's finding based on the audit criteria, OHSP respectfully disagrees since there appears to be a discrepancy between the compliance supplement used by KPMG and additional authoritative guidance that was received by FEMA on this matter suggesting that the time frames were being extended. On February 26, 2013, FEMA Grant Preparedness Directorate sent the following statement to OHSP in reference to the 45 day pass through requirement:</p> <p>"The FY 2011 Initial Strategy Implementation Plan (ISIP) will be available for completion in the Grants Reporting Tool (GRT) tomorrow, October 7th, 2011. ISIP's will be due in 45 calendar days, November 21st, 2011. This year, the ISIP Funding and Pass-through component is required for the SHSP and UASI programs only. The Investment component will need to be completed for all HSGP subprograms. The enforcement mechanism FEMA/GPD is in place to ensure compliance with the 45 day rule is the Grants Reporting Tool (GRT). As long as Initial Strategy Implementation Plans (ISIP) are submitted in the GRT by the required ISIP due date the state is in compliance as far as the programmatic office is concerned."</p> <p>The five SHSP subgrant awards were issued on October 28, 2011, which is within the allotted time period as described above. OHSP will bring this discrepancy to FEMA's attention for possible correction/inclusion in the next Federal Compliance supplement issued.</p>	<p>The OHSP GPMB and OHSP's fiscal office continues to make good faith efforts to comply with FFATA. Federal support to provide training to OHSP staff remains lacking. Collection of the DUNS number for each subgrantee agency is a requirement of the enhanced GTS system which will be operational for use with the FY14 funding cycle. OHSP GPMB has entered all the FY11 NSGP subgranted amounts into the FFATA system. OHSP GPMB staff will complete entering the data for the FY11 HSGP (UASI, SHSP, MMRS and CCP) during the month of October 2013. OHSP GPMB have collected all DUNS numbers for the FY11 NSGP/HSGP subgrantees.</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p>		
<i>Reporting</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-26 11-45	<p>The NJ Department of Health (DOH) has reviewed the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) and will be developing a reporting system to meet the requirements. The loss of staff in the Grants Management Unit has delayed this development and implementation. DOH expects to develop and implement procedures by April 1, 2013.</p>	<p>Staff has determined that our proposed procedures need to be revised to include more involvement at the Division level due to the number of grants which will require reporting. DOH is looking to implementing a solution by July 1, 2014.</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) Immunization Cluster (93.268) HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p>		
<i>Cash Management</i>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-27 No finding in prior year	The NJ Department of Health process has been changed so that there are three (3) different employees involved in the transaction. The analyst prepares the report for the drawdown; the accountant initiates the draw in the Payment Management System and prepares the Cash Receipt (CR) document in the NJ Comprehensive Financial System; and the Assistant Director reviews the drawn down documentation and compares it to the supporting documentation and applies the final approval on the CR transaction.	No change to original plan. Corrective action implemented March 2013.
HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services <i>Reporting</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-28 No finding in prior year	The NJ Department of Health process has been changed to so that the Assistant Director or the Director will certify the quarterly SF 425 reports to preserve the appropriate segregation of duties for this process.	No change to original plan. Corrective action implemented October 2012.
HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services <i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Eligibility</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-29 11-41	The NJ Department of Health agrees with the recommendation and has implemented written policies and procedures related to the Health Insurance Continuation Program (HICP) and, in particular, the client renewal for HICP and their subsequent review for eligibility. These procedures were developed and implemented subsequent to the State Fiscal Year 2011 Single Audit but not in time to prevent the conditions cited in the State Fiscal Year 2012 audit.	No change to original plan. Corrective actions completed and in place for FY 2013.
HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agency: U.S. Department of Health and Human Services <i>Level of Effort and Earmarking</i>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-30 No finding in prior year	<u>Level of Effort – Maintenance of Effort</u> The NJ Department of Health (DOH) acknowledges that for State Fiscal Year 2012 the maintenance of effort was not achieved falling short of the State Fiscal Year 2011 mark of \$28,387,000 by \$171,000 in expenditures and obligations. DOH would point out that this shortfall amounts to a 0.6% decrease in the level of effort from State Fiscal Year 2011. DOH would ask the funding authority to consider this level of materiality for the infraction. The decrease in the level of maintenance of effort is due to the continued attrition of employees in the program as well as the Department. DOH will project the level	No change to original plan. Corrective action implemented March 2013.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<p>of maintenance of effort for future grant years and, if it appears that the proper level of effort will not be achieved, will request a waiver of this requirement from the funding authority.</p> <p><u>Earmarking</u></p> <p>On October 5, 2012, the Department requested a waiver of the Women, Infants, Children, and Youth earmarking requirement from Federal funding authorities at the Health Resources and Services Administration (HRSA). That waiver request was approved in November 2012. The Department will continue to monitor earmarking levels and follow required procedures in effect.</p>	<p>No change to original plan. Corrective action implemented October 2012.</p>
<p>Special Supplemental Nutrition Program for Women, Infants and Children (10.557) HIV Care Formula Grants (93.917) State Agency: Department of Health Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-31 No finding in prior year</p>	<p>The Department agrees with the recommendation and will consistently update the Grantee Single Audit Tracking System (GSA) to ensure proper communication regarding the status of subrecipient audit reports. The Department will ask the NJOMB to examine if the GSA system can be modified to include data edit checks so that users cannot enter invalid dates (received dates prior to fiscal year end dates).</p>	<p>No change to original plan. OMB added GSA system edit checks in May 2013 to prevent the data entry of invalid dates during entity audit record updates.</p>
<p>Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Title I, Part A Cluster (84.010, 84.389) Special Education Cluster (IDEA) (84.027, 84.173, 84.391, 83.392) Improving Teacher Quality State Grants (84.367) Education Jobs Fund (84.410) Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Education Federal Agencies: U.S. Department of Agriculture U.S. Department of Education U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-32 11-51 10-27 09-42 08-46</p>	<p>The finding stated in part “the Department of Education, Office of Fiscal Accountability and Compliance (OFAC) is not timely performing the desk reviews as 5 of the 39 were desk reviewed between 7 and 8 months after receipt of the subrecipient audit report. We also identified 2 reports during our testwork that were received and desk reviewed but the received and desk reviewed dates and findings were not entered into the Grantee Single Audit Tracking System (GSA).”</p>	<p>No change to original plan. All FY 2012 updates have been completed and FY 2013 updates are ongoing. Query procedures were also implemented as of March 31, 2013.</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

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

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-35 11-1	<p>1. <u>Access at the Data Center at Systems and Communications (SAC) and OIT Availability Recovery Site (OARS)</u></p> <p><i>Office of Information Technology (OIT) Response:</i></p> <ul style="list-style-type: none"> • A review of the access rights to the Data Centers and Server Rooms will be performed on a periodic basis. • Door is to be repaired and regular facilities inspections conducted to report problems. <p>2. <u>Appropriateness of Access</u></p> <p><i>Department of Labor and Workforce Development (LWD) Response:</i></p> <ul style="list-style-type: none"> • (Bullet 1) - LWD agrees that three individuals did appear to have NJLOOPS access, however, their profile was only associated with a NJLOOPS access rule. Their user accounts had been removed from the ACF2 Mainframe. OIT is currently testing software that will review and cleanup the accounts that had been removed from ACF2 Mainframe, but are in other ACF2 access rules. • (Bullet 2) - LWD will work with OIT to develop the best strategy going forward to review these accounts. Also, LWD believes that based on the new process of Human Resources notifying DIT of terminations and transfers, that DIT is current with removing individual's accounts from the Mainframe ACF2. This removal would not allow an individual access to NJLOOPS even though they may still be present in NJLOOPS access rules. Also, based on above response LWD is working with OIT to be able to review and clean up the access rules of users who have been removed from the mainframe ACF2. <p><i>OIT Response:</i></p> <ul style="list-style-type: none"> • (Bullet 3) - The OIT instance concerning dual access rights on the NJLOOPS application will result in the Developer rights portion being discontinued immediately. The Administrator rights will be retained. • (Bullet 4) - Only senior Development personnel have access to Production moves. Development personnel need to retain the ability to do Production moves for responsible 24/7 systems support. Where segregation of duties can be assigned to reduce a single person from performing development and promotion to production, it will be pursued. FY13 unit reorganization due to promotions, for two Project Managers, has increased our ability to comply with the segregation of duties. <p>3. <u>Mainframe Changes</u></p> <p><i>OIT Response:</i></p> <p>Mainframe patch changes in the IBM environment are applied once provided by the vendor, IBM. Recommended Service Upgrades (RSU) are issued monthly while the emergency</p>	<p>Stephen Foundos - OIT</p> <ul style="list-style-type: none"> • There is no change to original CAP regarding access rights. • The door has been repaired. There is no change to original CAP concerning regular facilities inspections. <p>Jerry Calamia - LWD</p> <ul style="list-style-type: none"> • Accounts have been cleaned up and access has been removed. • Account access will be reviewed on an ongoing basis and access will be removed as appropriate. <p>Stephen Foundos - OIT</p> <ul style="list-style-type: none"> • Developer rights have been rescinded and Administrator rights retained. • There is no change to original CAP regarding segregation of duties between Development and Production environments. <p>Stephen Foundos - OIT</p> <ul style="list-style-type: none"> • There is no change to original CAP regarding mainframe changes.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<p>patches named High Persuasion (HIPER) are issued as needed through the IBM ASAP system. e-Mails announce, to the various clients, HIPER patch availability. All patches are applied through this IBM protocol. OIT is willing to continue assuming risk in this operational area. Our reasoning is:</p> <ul style="list-style-type: none"> • Program Temporary Fix (PTF) patches in the RSU are quite voluminous • PTFs are almost exclusively tested by the IBM vendor before issuance (little, if any, by the client after receipt) • All patches are applied regardless • Almost all patches are inconsequential in nature • The IBM patch protocol, RSU has proven satisfactory for mainframe change • CA Service Center accounts for mainframe change, patches or otherwise <p>4. <u>Change Requests Approval and Testing</u></p> <p><i>OIT Response:</i></p> <p>OIT's Labor Unit has formalized Change Management policy and procedure. The policy includes procedures for evidence retention on behalf of both Testing and Production Environmental changes. OIT's formalized Change Management procedures have included a detailed description of: requests, approvals, Development Method and Integration Testing. All appropriate evidences will be stored in a project tracking system. As stated in FY11 Conditions, LWD's portion of the formalized Change Management process needs to include a detailed procedural description of both Regression Testing and User Acceptance Testing.</p> <p>5. <u>Disaster Recovery</u></p> <p><i>LWD Response:</i></p> <p>LWD and OIT will collaborate on formalizing Disaster Recovery procedures for eventual periodic testing and results evaluation. LWD has begun discussions with OIT to develop a Disaster Recovery plan for NJLOOPS and is seeking assistance from the OIT mainframe manager in indentifying the process that needs to be in the plan. LWD is aware that this is a mission critical process.</p> <p>6. <u>Data Backup procedures and failed backup resolution</u></p> <p><i>OIT Response:</i></p> <p>Formalize backup procedures along with the retention of backup success/failure logs and resolution details are to be documented as policy and procedures. The policy and procedures would be subject to the following:</p> <ul style="list-style-type: none"> • Storage Management back-ups occur on the larger system level not the more detailed application level. 	<p>Stephen Foundos - OIT</p> <ul style="list-style-type: none"> • There is no change to original CAP regarding OIT's portion of change requests and approval testing. <p>Jerry Calamia – LWD DR Plan Update: October 2013</p> <ul style="list-style-type: none"> • LWD staff attended OIT/OMB Disaster Recovery test at OARS on 9/17. • LWD staff discussed development of LOOPS DR and test with OARS staff on 9/17. • Next year OIT tentatively plans to conduct DR mainframe testing in May and September. • LOOPS testing will probably require 4-5 days. • LOOPS testing is tentatively planned for September 2014. • OIT DR staff offered to assist in developing the LOOPS DR Plan and Test. <p>Stephen Foundos - OIT</p> <ul style="list-style-type: none"> • There is no change to original CAP regarding data backup procedures and failed back up resolution.
--	--	--

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<ul style="list-style-type: none"> • Back up logs are presently maintained up to 90 days, due to storage considerations, making for a system limitation. • System Command Center (SCC) monitors the backup process using their procedure. • CA Service Center accounts for Change Control or Incidents. 	
Vocational Rehabilitation Cluster (84.126, 84.390) State Agency: Department of Labor and Workforce Development Federal Agency: U.S. Department of Education		
<i>Eligibility</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-36 No finding in prior year	<p>In reviewing the complete case file, it was noted that the delay in determining eligibility was based on the lack of current diagnostic information. As soon as the counselor received the necessary information, the case was placed in eligibility status followed by an Individual Plan for Employment to support the plan to provide Job Coaching.</p> <p><u>Corrective Action Plan</u></p> <ul style="list-style-type: none"> • Reinforcement of the Division of Vocational Rehabilitation Services Policy with an expansion of acceptable methods of communication to facilitate the agreement when the 60-day period might not be met. • A Technical Assistance Memo (TAM) will prescribe methods for maintaining adherence to the 60-day window. These methods include; securing diagnostic evaluations to establish eligibility if records are not forthcoming, maintaining tighter timelines and milestones to record the progress of each case, and encourage better communication in the case record by opting for a case note as opposed to the current electronic form on the NJ Web-Based Online Rehabilitation Case-Management System (NJWORCS). • Revisit the issue through a random case review by 6/30/2013. 	<p>No change to original plan.</p> <p>Memo was issued on 5/18/12 regarding eligibility.</p> <p>No change to original plan.</p>
Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) State Agency: Department of Community Affairs Federal Agency: U.S. Department of Energy		
<i>Reporting</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-37 No finding in prior year	The Department has implemented a quality control review (QCR) process concerning submission of federal reports. Accordingly, federal reports will now be subject to a QCR before submission to the federal funding source.	No change to original plan.
Capitalization Grants for Clean Water State Revolving Funds (66.458) ARRA - Capitalization Grants for Clean Water State Revolving Funds (66.458)		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) Low-Income Home Energy Assistance (93.568) Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036) State Agency: Department of Community Affairs Federal Agencies: U.S. Environmental Protection Agency U.S. Department of Energy U.S. Department of Health and Human Services U.S. Department of Homeland Security		
<i>Subrecipient Monitoring</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-38 11-56	<p>The Division of Local Government Services (DLGS) will ensure the proper and timely review of all audits by reviewing interim status reports.</p> <p>The Department of Community Affairs and DLGS will implement stringent procedures to ensure the timely posting of audit reviews to the Grantee Single Audit Tracking System.</p>	No change to original plan.
Capitalization Grants for Drinking Water State Revolving Funds (66.468) ARRA - Capitalization Grants for Drinking Water State Revolving Funds (66.468) State Agency: Department of Environmental Protection Federal Agency: U.S. Environmental Protection Agency		
<i>Subrecipient Monitoring and Special Tests and Provisions</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-39 11-50 10-29	The Municipal Finance and Construction Element will continue to notify subrecipients of projects financed with Recovery Act funds of the Federal award information (<i>i.e. CFDA title and number; award name and number; and name of Federal awarding agency</i>) with each disbursement. This information has now been added to the standard approval letter for the last remaining ARRA subrecipient so that it will be included with all future disbursement approvals to this entity under ARRA.	No change to original plan. Corrective action completed March 2013.
Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services		
<i>Special Tests and Provisions</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-40 No finding in prior year	<p>The Division concurs with this finding.</p> <p>Molina will be outreaching the provider to obtain a signed agreement. Molina has been instructed to strengthen their training procedures for new employees relating to provider enrollment. The Division will monitor Molina’s training procedures.</p>	The Division’s State Monitoring Unit routinely pulls the enrollment packets of recently enrolled providers to assure that required documents are present and signed.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<p>Children's Health Insurance Program (93.767) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
<p><i>Activities Allowed or Unallowed, Allowable Costs/Cost Principles and Eligibility</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-41 11-3 10-2</p>	<p>The Division concurs with this finding.</p> <p>Xerox produces a weekly control report of cases where the last completed renewal was more than 12 months in the past, and no future renewal date has been set. The Division will strengthen its monitoring of Xerox's review of this report to ensure that all identified cases are promptly and appropriately resolved.</p> <p>In addition, Xerox will implement a systemic Task/Workflow enhancement that will flag any case where the renewal process has been initiated but not completed due to missing information (MI). Upon receipt of any documentation received on a case in MI status, the case will be systemically flagged for a final decision by the eligibility worker. All such flagged cases will be advanced to the top of the eligibility worker's queue the following workday and no additional cases will be presented to the worker's queue for processing until the renewal is either completed (with an eligibility decision) or the renewal clock is reset. This enhancement will prevent recurrence of the kinds of Processor errors that led to the current finding.</p>	<p>No change to original plan. Corrective action implemented April 2013.</p> <p>No change to original plan. Corrective action implemented May 2013.</p>
<p>TANF Cluster (93.558, 93.714) State Agencies: Department of Human Services Department of Children and Families Federal Agency: U.S. Department of Health and Human Services</p>		
<p><i>Suspension and Debarment and Subrecipient Monitoring</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-42 No finding in prior year</p>	<p>The Division of Family Development (DFD) concurs with this finding.</p> <p>DFD will notify the Department of Children and Families (DCF), and other recipient State agencies, of its subrecipient grant monitoring requirements and request fulfillment of the following corrective actions prior to June 30, 2013:</p> <ol style="list-style-type: none"> 1. Verification that all current subrecipients are not suspended or debarred; 2. Provide all current subrecipients with the required Federal award information; 3. Develop and submit a sub-recipient monitoring plan. <p>In addition, DFD will annually provide this information and reminders to DCF and all subrecipient State agencies.</p>	<p>No change to original plan. DFD issued letter to DCF in May 2013 and response from DCF was received.</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<p>TANF Cluster (93.558, 93.714) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
<p><i>Subrecipient Monitoring</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-43 11-6</p>	<p>The Division of Family Development (DFD) is in the process of implementing a Document Imaging Management System (DIMS) within the 21 County Welfare Agencies (CWAs). Three pilot counties are scheduled to begin in April, with all 21 CWAs implemented by October 2013. The implementation of this new system will ensure maintenance and easy accessibility of WFNJ/TANF applications and recertification applications as well as all other required documentation including but not limited to birth certificates, social security cards, income documentation such as paystubs, award letters, and citizenship documentation. The Division is also anticipating the implementation of a new statewide computer system that is known as the Consolidated Assistance Support System (CASS) beginning in the fall of 2013, with full statewide implementation expected to be completed by the summer of 2014. The CASS System will not permit the continuation of cash assistance benefits unless a redetermination is completed and the system determines that continued eligibility exists based upon the evidence entered into CASS.</p> <p>In the interim the DFD Office of County Operations field representatives will:</p> <ul style="list-style-type: none"> • Review monthly reports from our current computer system (FAMIS) to identify cases overdue for redetermination; • Follow-up with the corresponding county or counties to ensure that assistance is discontinued until a redetermination is completed and on-going eligibility can be determined. 	<p>The Division of Family Development (DFD) continues the process of implementing a Document Imaging Management System (DIMS) within the 21 County Welfare Agencies (CWAs). The first phase of the pilot was completed in early October 2013 with three pilot counties. The second phase of the pilot began in mid-October 2013 and will continue to roll out to the remaining counties with all 21 CWAs implemented by November 2013. The implementation of this new system will ensure maintenance and easy accessibility of WFNJ/TANF applications and recertification applications as well as all other required documentation including but not limited to birth certificates, social security cards, income documentation such as paystubs, award letters, and citizenship documentation. The Division is also anticipating the implementation of a new statewide computer system that is known as the Consolidated Assistance Support System (CASS) beginning in the spring of 2014, with full statewide implementation expected to be completed by the fall of 2014. The CASS will not permit the continuation of cash assistance benefits unless a redetermination is completed and the system determines that continued eligibility exists based upon the evidence entered into CASS.</p> <p><u>Completion Dates:</u> Implementation of monthly report review – April 1, 2013</p> <p>Completion of the first review/follow-up cycle – June 1, 2013 (Note: Review/follow-up cycle continues on a monthly basis.)</p>
<p>TANF Cluster (93.558, 93.714) CCDF Cluster (93.575, 93.596) ARRA – Child Care Development Block Grant (93.713) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p>		
<p><i>Suspension and Debarment, Subrecipient Monitoring, and Special Tests and Provisions</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-44 11-8 10-5</p>	<p>The Division of Family Development (DFD) concurs with this finding.</p> <ul style="list-style-type: none"> • Due to the pending implementation of the eChildCare (eCC) system on January 1, 2012, the Center-Based Child Care Agency (CBC) contracts were terminated in three phases beginning 	<p>No change to original plan. As of July 1, 2012 all contract renewals are advised of Federal Award information and are verified in EPLS.</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<p>April 2011 with final termination of all contracts by December 2011. The final closeout procedures for all former CBC contracts were processed with no issues. Since the EPLS system can only indicate the current status of an agency, DFD instituted the suspension and debarment review on the EPLS beginning with the Fiscal Year 2012 Child Care Resource and Referral Agency (CCR&R) contracts in Spring 2012 and for all contracts renewed as of July 1, 2012.</p> <p>DFD concurs with this finding.</p> <ul style="list-style-type: none"> ARRA funding was terminated as of September 30, 2011. DFD provides ARRA and other funding information to independent auditors and provider agencies as requested. <p>DFD concurs with this finding.</p> <ul style="list-style-type: none"> As the finding relates to CCR&R contracts, DFD notified each CCR&R agency in April 2012 of the required Federal award information. For all contracts awarded as of July 1, 2012, the Federal award information is included in the contract award notice. 	<p>Requests received for funding information are fulfilled timely upon receipt.</p>
<p>CCDF Cluster (93.575, 93.596) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Subrecipient Monitoring and Special Tests and Provisions</i></p>		
<p>FINDING #¹</p>	<p>ORIGINAL CORRECTIVE ACTION PLAN</p>	<p>UPDATED PLAN</p>
<p>12-45 11-10 10-7 09-8 08-4 07-7</p>	<p>In State Fiscal Year 2012, the Department increased Child Care Resource and Referral Agency (CCR&R) monitoring to include an increased number of on-site visits as well as desk audit reviews. Current policies require the CCR&Rs to maintain and update provider files, which include the actual copy of the Health and Safety License. To strengthen the review of document verification, a new monitoring tool was created which includes verification of a current and valid license.</p> <p>The updated audits, including the use of this new monitoring tool, began in February 2013.</p>	<p>No change to original plan. The updated audits, including the use of this new monitoring tool, began in February 2013 and concluded September 2013.</p>
<p>Child Support Enforcement (93.563) ARRA - Child Support Enforcement (93.563) State Agency: Department of Human Services Federal Agency: U.S. Department of Health and Human Services</p> <p><i>Reporting</i></p>		
<p>FINDING #¹</p>	<p>ORIGINAL CORRECTIVE ACTION PLAN</p>	<p>UPDATED PLAN</p>
<p>12-46 11-9 10-6 09-7</p>	<p>On November 13, 2012, the State Disbursement Unit (SDU), known as the New Jersey Family Support Services Center (NJFSSC), was fully privatized. The contractor is responsible for all collections, deposits, disbursements and reconciliation of child support collections. Since the banking and cash management functions are now being performed by the fully privatized SDU, the reconciliation between</p>	<p>DFD/OCSS has established a manual methodology for reconciling the bank account to NJKiDS. It is currently being used on a monthly basis and has been used to develop a system Change Request that will build a new screen/template in the automated NJKiDs child support application</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<p>08-2 07-5 06-1 05-7 04-18 03-7 02-6 01-6 00-30</p>	<p>the Child Support Bank Account and OCSE-34A Report is complete.</p> <p>The Office of Child Support Services has direct oversight over NJFSSC through a multi-year contract. The corrective measure for this finding is to contract with the NJFSSC for all collections, disbursements and reconciliations of collections.</p> <p>Uniform business rules and standard operating procedures were created and are maintained to ensure daily reconciliations are being performed by NJFSSC and the Division of Family Development fiscal unit. Since November 13, 2012, all daily transactions including collections, disbursements, wire transfers and cash payments have been in balance.</p>	<p>to allow DFD Fiscal Unit to complete a more automated regular reconciliation.</p> <p>DFD-Office of Child Support Enforcement is now in the process of automating the reconciliation between the OCSE 34A report (Collections and Disbursements) with the bank account in the New Jersey Kids Deserve Support (NJKiDS) system. The Office of Financial Reporting is currently testing and receiving training on the automated screens in NJKiDS to complete the monthly reconciliation. This is expected to be completed by the end of FY 2014.</p>
---	---	---

TANF Cluster (93.558, 93.714)
Child Support Enforcement (93.563)
CCDF Cluster (93.575, 93.596)
Children’s Health Insurance Program (93.767)
Medicaid Cluster (93.775, 93.777, 93.778)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Reporting

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-47 No finding in prior year</p>	<p>The Department concurs with this finding.</p> <p>The Federal Funding Accountability and Transparency Act (FFATA) requires that recipients of grants who make first-tier sub-awards equal to or exceeding \$25,000 report these sub-awards in the Federal Funding Accountability and Transparency Act Sub-award Reporting System (FSRS). The FFATA also requires that the Federal Assistance Identification Number (FAIN) should appear on the prime award document. This number is needed to access the grant award information within FSRS to list all first-tier sub-awards equal to or exceeding \$25,000. The prime award documents for the above grants pertaining to Division of Family Development (DFD) do not contain a FAIN number for fiscal year 2102.</p> <p>The DFD has contacted the applicable federal grant award officers for TANF, Child Care and Child Support to request the required FAIN numbers needed for the FSRS online reporting system.</p> <p>The Division of Medical Assistance and Health Services (DMAHS) will work with the Department to develop procedures to ensure that the reporting requirements of FFATA are met.</p>	<p><u>DFD</u> – No change to original plan. FY 2012 grant awards have been reported in FSRS. Currently updating FY 2013 sub-awards.</p> <p><u>DMAHS</u> – No change to original plan or implementation date of June 2013.</p>

Block Grants for Prevention and Treatment of Substance Abuse (93.959)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Health and Human Services

Special Tests and Provisions

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
------------------------	---------------------------------	--------------

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

12-48 No finding in prior year	<p>The Division of Mental Health and Addiction Services (DMHAS) Treatment Monitoring Unit was utilizing an incomplete list of agencies receiving Block Grant funding to determine selection group for Peer Review.</p> <p>Going forward the DMHAS Fiscal Unit will institute the following processes and internal controls:</p> <ul style="list-style-type: none"> • DMHAS Fiscal Unit Account Supervisor will generate a complete list of treatment agencies receiving Block Grant Funding and forward list to the DMHAS Fiscal Unit Spending Plan Developer. • Spending Plan Developer will review list for accuracy and completeness and then forward list to DMHAS Treatment Monitoring Unit Supervisor if no errors/omissions are identified. If any errors/omissions are noted, Spending Plan Developer will discuss with Account Supervisor and make all warranted revisions before forwarding to Treatment Monitoring Unit Supervisor. • Treatment Monitoring Unit Supervisor will review list for accuracy and completeness in conjunction with Peer Review Coordinator by comparing current list with previous year's list. If any discrepancies are noted, Treatment Monitoring Unit Supervisor will contact Spending Plan Developer to discuss and revise list if warranted before finalizing Peer Review agency list. 	<p>No change to original plan as corrective actions have been implemented.</p> <p>Budget currently sends to Contracts a complete and up-to-date listing of those providers issued contracts for the current year. After the list is reviewed, it is then forwarded to the Contract Monitoring Unit so that section will have a complete list of the entities/ operations for peer review oversight.</p>
---	---	---

Vocational Rehabilitation Cluster (84.126, 84.390)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Education

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-49 11-11 10-10 09-6 08-7	The Cost Allocation Plan (CAP) for the quarter ending 12/31/11 was completed on 2/28/13. The CAP for the quarters ending 3/31/12 and 6/30/12 will be completed by 4/30/13. The Commission hired an Auditor Accountant Trainee to help with the filing of State and Federal reports and help improve internal controls. By next year, the backlog of reports should be completed and CAPs will be filed timely.	No change to original plan. All Cost Allocation Plans (CAPs) for the Audit Period ending 6/30/2012 were completed by May 8, 2013.

Vocational Rehabilitation Cluster (84.126, 84.390)
State Agency: Department of Human Services
Federal Agency: U.S. Department of Education

Reporting

FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-50 No finding in prior year	The correct amount of program income on the Federal financial report (SF-425) was corrected on the next submission. Before submission of the FSR-425 to the Rehabilitative Services Administration (RSA), the Administrative Analyst who enters the information into the RSA-MIS website will verify all data being submitted.	No change to original plan. Report correction was made on the semi-annual report for the period ending March 31, 2012. Verification process was also implemented as of March 31, 2013.

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

<p>SNAP Cluster (10.551, 10.561) TANF Cluster (93.558, 93.714) State Agencies: Office of Information Technology Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Health and Human Services</p> <p><i>Other Requirement – Information Technology General Controls</i></p>		
FINDING # ¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
<p>12-51 11-15 10-12 09-10 08-44 07-8</p>	<p>1. <i>Access to the Data Center at HUB and OARS</i></p> <p>Access within OIT Data Centers is assessed as too liberal.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • As the Office of Information Technology (OIT) continues to be a multi-departmental IT hosting site, a review of the access rights to the Data Centers and Server Rooms will continue to be performed on a periodic basis. Access rights verification will be retained. • A Request for Proposal (RFP) has been issued for a new off-site operations print vendor. Due to government transparency requirements the RFP continues to be reviewed. Once awarded in-house print operations will cease to accommodate an interdepartmental IT consolidation at the HUB. <p>2. <i>Accountability for access</i></p> <p>Shared accounts are evaluated as deterring individual accountability.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • Shared accounts procedures for their review and monitoring, by an independent party, along with documentation of such access rights are to be formalized. <p>3. <i>Disaster Recovery</i></p> <p>A FAMIS Disaster Recovery Test did not occur in FY 2012 and a FAMIS Disaster Recovery Plan is not in place.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • OIT and DHS/DFD do not plan to perform a Disaster Recovery Test on FAMIS as resources and time do not permit this effort because of the ongoing development of the Consolidated Assistance Support System (CASS). Once the development and implementation of the CASS concludes resources will be directed to CASS Disaster Recovery. 	<p>No change to original plan.</p> <p>No change to original plan.</p> <p>No change to original plan.</p> <p>No change to original plan.</p>

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

	<ul style="list-style-type: none"> • A FAMIS Disaster Recovery Plan is now in place and will be annually certified by OIT's Business Continuity and Disaster Recovery Unit. <p>4. <i>Appropriateness of Access</i></p> <ul style="list-style-type: none"> • We recommend that there be segregation of duties in accounts where the same individuals do not have Supervisor as well as Case Worker Level access. <p><u>DHS – Division of Family Development (DFD) Response:</u></p> <p>DFD discussed this issue with the County Welfare Agency (CWA) Security Administrators at the March 2012 Document Control Unit (DCU) meeting and in May 2012 provided the CWA Security Administrators with a listing of any users who still had both Case Worker (UPD) and Supervisor (SUP) level access for FAMIS in FAMIS or UAP.</p> <p>DFD advised the CWA Security Administrators to review the listing and correct any instance of the dual access. Each CWA effected notified the DFD Helpdesk that they had corrected the issue, removing either UPD or SUP from all users who had both.</p> <p><u>Corrective Action:</u></p> <ul style="list-style-type: none"> • During the FY2012 audit, KPMG inquired about one user in Salem CWA who had UPD and SUP access rights. DFD contacted Salem immediately and they corrected that situation. • In addition, this issue will be discussed annually at one of the monthly DCU meetings and the security administrators will be provided with a listing, if applicable, of any staff with UPD and SUP access. 	<p>No change to original plan.</p> <p>On March 26, 2013, DFD sent a list of users to any county that had users with both Case Worker (UPD) and Supervisor (SUP) level access for FAMIS in FAMIS or UAP. The DFD Security Administrator advised them to review the listing, remove either the UPD or SUP access from the user and notify the DFD Helpdesk when the corrections were made. DFD also advised the CWA security administrators again at the April DCU meeting held on April 11, 2013 that no user should have both Case Worker and Supervisor level access for FAMIS. The counties made the corrections and responded to the DFD Helpdesk that the corrections were made. The DFD Helpdesk closed the Helpdesk ticket. DFD will repeat this process before April of 2014.</p>
<p>Supplemental Nutrition Assistance Program Cluster (10.551, 10.561) Child Nutrition Cluster (10.553, 10.555, 10.556, 10.559) Special Supplemental Nutrition Program for Women, Infants, and Children (10.557) Child and Adult Food Care Program (10.558) Section 8 Housing Choice Vouchers (14.871, 14.879) WIA Cluster (17.258, 17.259, 17.278) Weatherization Assistance for Low-Income Persons (81.042) ARRA – Weatherization Assistance for Low-Income Persons (81.042) TANF Cluster (93.558, 93.714) Child Support Enforcement (93.563) ARRA – Child Support Enforcement (93.563) Low-Income Home Energy Assistance (93.568) CCDF Cluster (93.575, 93.596) Social Services Block Grant (93.667) Medicaid Cluster (93.775, 93.777, 93.778) State Agency: Department of Human Services Federal Agencies: U.S. Department of Agriculture U.S. Department of Housing and Urban Development</p>		

¹ Current and prior year finding number(s)

**STATE OF NEW JERSEY SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2013
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

U.S. Department of Labor U.S. Department of Energy U.S. Department of Health and Human Services		
<i>Subrecipient Monitoring and Special Tests and Provisions</i>		
FINDING #¹	ORIGINAL CORRECTIVE ACTION PLAN	UPDATED PLAN
12-52 No finding in prior year	The Office of Auditing (OOA) will revise its standard desk review guide to identify ARRA funds listed separately on the Schedule of Expenditure of Federal Awards. Additionally, OOA will develop internal written procedures to document the timely and accurate updating of the Grantee Single Audit Tracking System (GSA).	No change to original plan. Written procedures were completed June 30, 2013. Revised desk review guide completed October 15, 2013.

¹ Current and prior year finding number(s)