

**STATE OF NEW JERSEY**  
**SINGLE AUDIT REPORT**  
**YEAR ENDED JUNE 30, 2021**

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

**Independent Auditors' Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an  
Audit of the Schedule of Expenditures of Federal Awards  
Performed in Accordance with *Government Auditing Standards***

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



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## INDEPENDENT AUDITORS' REPORT

The Governor  
State of New Jersey

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

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of New Jersey for the year ended June 30, 2021, and related notes (the Schedule).

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

Management is responsible for the preparation and fair presentation of this Schedule on the cash basis of accounting as described in Note 2; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the Schedule in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a Schedule that is free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on this Schedule based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free from material misstatement.

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

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

The Governor  
State of New Jersey

**Opinion**

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of federal awards of the State of New Jersey for the year ended June 30, 2021, in accordance with the cash basis of accounting described in Note 2.

**Basis of Accounting**

We draw attention to Note 2 of the Schedule, which describes the basis of accounting. The Schedule is prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2022 on our consideration of the State of New Jersey's internal control over financial reporting of the Schedule and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of New Jersey's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 15, 2022



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

The Governor  
State of New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the schedule of federal awards and related notes of the State of New Jersey (the Schedule), as of and for the year ended June 30, 2021 and have issued our report thereon dated September 15, 2022.

Our report on the Schedule included an emphasis of matter paragraph describing the basis of accounting described in Note 2 of the Schedule.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the State of New Jersey's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of State of New Jersey's internal control. Accordingly, we do not express an opinion on the effectiveness of State of New Jersey's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's Schedule will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether State of New Jersey's Schedule is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the Schedule. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 15, 2022



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

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 Compliance Supplement* that could have a direct and material effect on each of the major federal programs for the year ended June 30, 2021. The State's major federal programs are identified in the summary of auditors' results section of the accompany schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's major federal programs and compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for the State's major federal programs. However, our audit does not provide a legal determination of the State's compliance.

**Basis for Qualified Opinions on Certain Major Federal Programs**

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding:

<b>Program</b>	<b>Assistance Listing</b>	<b>Noncompliance</b>	<b>Finding Number</b>
Unemployment Insurance	17.225	Eligibility	2021-007
Aging Cluster	93.044, 93.045, 93.053	Reporting	2021-015
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	Reporting	2021-017
Medicaid Cluster	93.775, 93.777, 93.778	Special Tests-Provider Eligibility	2021-020

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

**Qualified Opinions**

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 each of the programs for the year ended June 30, 2021.

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

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2021.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-003, 2021-004, 2021-005, 2021-006, 2021-008, 2021-009, 2021-010, 2021-011, 2021-014, 2021-018 and 2021-019. Our opinion on each major program is not modified with respect to these matters.

The State’s response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The State’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify 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 2021-002, 2021-007, 2021-015, 2021-016, 2021-017 and 2021-020 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 2021-003, 2021-004, 2021-005, 2021-006, 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, 2021-014, 2021-018 and 2021-019 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 15, 2022

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>			
Plant and Animal Disease, Pest Control, and Animal Care	10.025	\$ 2,139,247	\$ -
Specialty Crop Block Grant Program - Farm Bill	10.170	737,716	453,250
Organic Certification Cost Share Programs	10.171	41,997	-
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178	534,400	534,400
Homeland Security Agricultural	10.304	48,730	-
Rural Business Development Grant	10.351	17,299	-
State Mediation Grants	10.435	25,449	-
Crop Insurance Education in Targeted States	10.458	4,016	-
Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	10.475	66,499	-
SNAP Fraud Framework Implementation Grant	10.535	549,286	-
COVID-19 - Pandemic EBT Food Benefits	10.542	1,049,697,269	-
Farmers' Market Supplemental Nutrition Assistance Program Support Grants	10.545	8,180	-
<i>SNAP Cluster</i>			
Supplemental Nutrition Assistance Program	10.551	1,171,501,649	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	158,662,988	138,309,077
<i>Total SNAP Cluster</i>		<u>1,330,164,637</u>	<u>138,309,077</u>
<i>Child Nutrition Cluster</i>			
COVID-19 - School Breakfast Program	10.553	23,622,259	23,622,259
School Breakfast Program		120,140,938	120,140,938
Total School Breakfast Program	10.553	<u>143,763,197</u>	<u>143,763,197</u>
COVID-19 - National School Lunch Program	10.555	41,098,915	41,098,915
National School Lunch Program		222,666,599	222,666,599
Total National School Lunch Program	10.555	<u>263,765,514</u>	<u>263,765,514</u>
COVID-19 - Special Milk Program for Children	10.556	1,610	1,610
Special Milk Program for Children		24,983	24,983
Total Special Milk Program for Children	10.556	<u>26,593</u>	<u>26,593</u>
Child Nutrition Discretionary Grants Limited Availability	10.579	687,215	687,215
COVID-19 - Summer Food Service Program for Children	10.559	56,941,166	56,941,166
Summer Food Service Program for Children		170,118,744	169,037,016
Total Summer Food Service Program for Children	10.559	<u>227,059,910</u>	<u>225,978,182</u>
<i>Total Child Nutrition Cluster</i>		<u>635,302,429</u>	<u>634,220,701</u>
COVID-19 - WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12,259,056	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children		112,518,684	28,977,077
Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>124,777,740</u>	<u>28,977,077</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture (continued)</b>			
COVID-19 - Child and Adult Care Food Program	10.558	\$ 14,067,227	\$ 14,067,227
Child and Adult Care Food Program		49,099,149	47,392,772
Total Child and Adult Care Food Program	10.558	63,166,376	61,459,999
State Administrative Expenses for Child Nutrition	10.560	7,008,918	-
<i>Food Distribution Cluster</i>			
Commodity Supplemental Food Program	10.565	722,518	711,401
COVID-19 - Emergency Food Assistance Program (Administrative Costs)	10.568	4,448,974	3,340,949
Emergency Food Assistance Program (Administrative Costs)		3,077,796	2,286,310
Total Emergency Food Assistance Program (Administrative Costs)	10.568	7,526,770	5,627,259
COVID-19 - Emergency Food Assistance Program (Food Commodities)	10.569	12,238,872	-
Emergency Food Assistance Program (Food Commodities)		35,133,758	-
Total Emergency Food Assistance Program (Food Commodities)	10.569	47,372,630	-
<i>Total Food Distribution Cluster</i>		55,621,918	6,338,660
WIC Farmers' Market Nutrition Program (FMNP)	10.572	555,425	-
Senior Farmers Market Nutrition Program	10.576	894,694	29,106
WIC Grants To States (WGS)	10.578	1,171,506	-
Fresh Fruit and Vegetable Program	10.582	4,772,665	4,683,513
Cooperative Forestry Assistance	10.664	937,921	202,663
Forest Legacy Program	10.676	1,042	-
Forest Health Protection	10.680	36,290	-
State & Private Forestry Cooperative Fire Assistance	10.698	178,865	-
<b>Total U.S. Department of Agriculture</b>		<b>3,278,460,514</b>	<b>875,208,446</b>
<b>U.S. Department of Commerce</b>			
Interjurisdictional Fisheries Act of 1986	11.407	100,536	-
Coastal Zone Management Administration Awards	11.419	3,127,160	-
Cooperative Fishery Statistics	11.434	419,561	-
Regional Fishery Management Councils	11.441	751,537	-
COVID-19 - Unallied Management Projects	11.454	10,902,544	-
Unallied Science Program	11.472	34,530	-
Office for Coastal Management	11.473	36,169	-
Atlantic Coastal Fisheries Cooperative Management Act	11.474	432,699	-
State and Local Implementation Grant Program	11.549	54,117	-
<b>Total U.S. Department of Commerce</b>		<b>15,858,853</b>	-
<b>U.S. Department of Defense</b>			
National Guard Military Operations and Maintenance (O&M) Projects	12.401	26,426,116	-
National Guard ChalleNGe Program	12.404	1,315,673	-
Troops to Teachers Grant Program	12.620	128,076	52,477
Contractual Agreements	12.CON	185	-
<b>Total U.S. Department of Defense</b>		<b>27,870,050</b>	<b>52,477</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants/State's program and Non-Entitlement Grants in Haw aii	14.228	\$ 4,881,177	\$ 4,412,389
COVID-19 - Emergency Solutions Grant Program	14.231	1,663,744	409,593
Emergency Solutions Grant Program		<u>1,181,535</u>	<u>1,016,675</u>
Total Emergency Solutions Grant Program	14.231	<u>2,845,279</u>	<u>1,426,268</u>
Supportive Housing Program	14.235	1,054,249	-
Home Investment Partnerships Program	14.239	5,359,936	2,790,500
COVID-19 - Housing Opportunities for Persons with AIDS	14.241	21,691	-
Housing Opportunities for Persons w ith AIDS		<u>1,635,995</u>	<u>-</u>
Total Housing Opportunities for Persons w ith AIDS	14.241	<u>1,657,686</u>	<u>-</u>
Continuum of Care Program	14.267	1,452,223	-
<i>CDBG-Disaster Recovery Grants-Pub. L No. 113-2 Cluster:</i>			
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269	179,759,384	112,166,373
National Disaster Resilience Competition	14.272	<u>1,899,505</u>	<u>84,347</u>
Total CDBG-Disaster Recovery Grants-Pub. L No. 113-2 Cluster		<u>181,658,889</u>	<u>112,250,720</u>
Housing Trust Fund	14.275	1,998,316	1,836,413
Fair Housing Assistance Program State and Local	14.401	524,275	-
<i>Section 8 Project-Based Cluster:</i>			
Low er Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	<u>3,338,495</u>	<u>-</u>
Total Section 8 Project-Based Cluster		<u>3,338,495</u>	<u>-</u>
<i>Housing Voucher Cluster:</i>			
COVID-19 - Section 8 Housing Choice Vouchers	14.871	15,118,442	-
Section 8 Housing Choice Vouchers		<u>262,309,010</u>	<u>(113,858)</u>
Total Section 8 Housing Choice Vouchers	14.871	<u>277,427,452</u>	<u>(113,858)</u>
Mainstream Vouchers	14.879	<u>1,362,308</u>	<u>-</u>
Total Housing Voucher Cluster		<u>278,789,760</u>	<u>(113,858)</u>
Family Self-Sufficiency Program	14.896	68,078	-
Lead-Based Paint Hazard Control in Privately-Ow ned Housing	14.900	<u>123,436</u>	<u>-</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<b><u>483,751,799</u></b>	<b><u>122,602,432</u></b>
<b>U.S. Department of the Interior</b>			
<i>Fish and Wildlife Cluster</i>			
Sport Fish Restoration	15.605	1,829,808	-
Wildlife Restoration and Basic Hunter Education	15.611	<u>9,225,311</u>	<u>-</u>
Total Fish and Wildlife Cluster		<u>11,055,119</u>	<u>-</u>
Cooperative Endangered Species Conservation Fund	15.615	58,711	-
Clean Vessel Act	15.616	146,417	129,625
Sportfishing and Boating Safety Act	15.622	545,501	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of the Interior (continued)</b>			
State Wildlife Grants	15.634	\$ 1,003,059	\$ -
National Cooperative Geologic Mapping	15.810	232,442	-
National Geological and Geophysical Data Preservation	15.814	3,750	-
Historic Preservation Fund Grants-In-Aid	15.904	691,563	43,999
Outdoor Recreation Acquisition, Development and Planning	15.916	679,335	-
Water Use and Data Research	15.981	30,759	-
<b>Total U.S. Department of the Interior</b>		<b>14,446,656</b>	<b>173,624</b>
<b>U.S. Department of Justice</b>			
Sexual Assault Services Formula Program	16.017	526,356	525,771
COVID-19 - Coronavirus Emergency Supplemental Funding Program	16.034	2,761,334	-
Equal Employment Opportunity	16.101	550,323	-
Juvenile Justice and Delinquency Prevention	16.540	642,927	405,338
Missing Children's Assistance	16.543	343,466	-
Crime Victim Assistance	16.575	56,256,518	48,436,286
Crime Victim Compensation	16.576	11,302	7,120
Crime Victim Assistance/Discretionary Grants	16.582	820,748	576,533
Drug Court Discretionary Grant Program	16.585	403,634	403,634
Violence Against Women Formula Grants	16.588	3,587,928	2,199,780
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	115,828	89,889
Residential Substance Abuse Treatment for State Prisoners	16.593	171,402	151,345
State Criminal Alien Assistance Program	16.606	2,921,681	-
Public Safety Partnership and Community Policing Grants	16.710	1,197,565	172,133
Special Data Collections and Statistical Studies	16.734	382,367	382,367
PREA Program: Strategic Support for PREA Implementation	16.735	70,276	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	726,492	120,805
DNA Backlog Reduction Program	16.741	1,291,528	60,413
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	560,380	43,229
Capital Case Litigation Initiative	16.746	73,075	-
Edward Byrne Memorial Competitive Grant Program	16.751	33,983	-
Economic, High-Tech, and Cyber Crime Prevention	16.752	65,858	-
Harold Rogers Prescription Drug Monitoring Program	16.754	946,753	33,040
Second Chance Act Reentry Initiative	16.812	215,981	158,925
John R. Justice Prosecutors and Defenders Incentive Act	16.816	48,674	-
Children of Incarcerated Parents	16.831	123,833	-
Body Worn Camera Policy and Implementation	16.835	119,897	-
STOP School Violence	16.839	88,677	50,627
Contractual Agreements	16.CON	69,461	-
<b>Total U.S. Department of Justice</b>		<b>75,128,247</b>	<b>53,817,235</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Labor</b>			
Labor Force Statistics	17.002	\$ 1,855,190	\$ -
Compensation and Working Conditions	17.005	290,805	-
<i>Employment Services Cluster</i>			
Employment Service/Wagner-Peyser Funded Activities	17.207	17,475,902	-
Jobs for Veterans State Grants	17.801	2,671,919	-
Local Veterans' Employment Representative Program	17.804	964,717	-
<i>Total Employment Services Cluster</i>		<u>21,112,538</u>	<u>-</u>
COVID-19 - Unemployment Insurance	17.225	16,518,904,161	-
Unemployment Insurance		3,539,338,699	-
Total Unemployment Insurance	17.225	<u>20,058,242,860</u>	<u>-</u>
Senior Community Service Employment Program	17.235	2,198,848	-
Trade Adjustment Assistance	17.245	3,966,579	1,672,374
<i>WIOA Cluster:</i>			
WIOA Adult Program	17.258	24,882,335	20,321,138
WIOA Youth Activities	17.259	17,072,605	16,377,048
WIOA Dislocated Worker Formula Grants	17.278	24,534,495	16,150,532
<i>Total WIOA Cluster</i>		<u>66,489,435</u>	<u>52,848,718</u>
WIOA Pilots, Demonstrations, and Research Projects	17.261	182,353	178,238
Work Opportunity Tax Credit Program (WOTC)	17.271	535,946	-
Temporary Labor Certification for Foreign Workers	17.273	624,553	-
COVID-19 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	850,270	748,470
WIOA National Dislocated Worker Grants / WIA National Emergency Grants		2,505,931	2,200,773
Total WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	<u>3,356,201</u>	<u>2,949,243</u>
Apprenticeship USA Grants	17.285	42,974	17,645
Occupational Safety and Health State Program	17.503	1,984,739	-
Consultation Agreements	17.504	1,668,686	-
Mine Health and Safety Grants	17.600	60,937	-
<b>Total U.S. Department of Labor</b>		<b><u>20,162,612,644</u></b>	<b><u>57,666,218</u></b>
<b>U.S. Department of Transportation</b>			
Airport Improvement Program	20.106	610,425	-
<i>Highway Planning and Construction Cluster</i>			
Highway Planning and Construction	20.205	984,463,801	62,437,514
Recreational Trails Program	20.219	863,761	96,000
<i>Total Highway Planning and Construction Cluster</i>		<u>985,327,562</u>	<u>62,533,514</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Transportation (continued)</b>			
<i>FMCSA Cluster</i>			
Motor Carrier Safety Assistance	20.218	\$ 6,670,198	\$ -
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237	32,735	-
<i>Total FMCSA Cluster</i>		<u>6,702,933</u>	<u>-</u>
Commercial Driver's License Program Implementation Grant	20.232	286,865	-
Railroad Safety	20.301	1,841	-
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505	1,900	-
Rail Fixed Guideway Public Transportation System State Safety Oversight Formula Grant Program	20.528	835,706	-
<i>Highway Safety Cluster</i>			
State and Community Highway Safety	20.600	5,178,043	2,798,578
National Priority Safety Programs	20.616	5,923,962	2,917,784
<i>Total Highway Safety Cluster</i>		<u>11,102,005</u>	<u>5,716,362</u>
Pipeline Safety Program State Base Grant	20.700	145,409	-
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	323,580	146,888
Contractual Agreements	20.CON	132,872	-
<b>Total U.S. Department of Transportation</b>		<u><b>1,005,471,098</b></u>	<u><b>68,396,764</b></u>
<b>U.S. Department of the Treasury:</b>			
COVID-19 - Coronavirus Relief Fund	21.019	2,118,061,722	689,406,481
COVID-19 - Emergency Rental Assistance Program	21.023	77,269,893	-
<b>Total Department of the Treasury</b>		<u><b>2,195,331,615</b></u>	<u><b>689,406,481</b></u>
<b>National Endowment for the Arts</b>			
COVID-19 - Promotion of the Arts Partnership Agreements	45.025	34,100	33,800
Promotion of the Arts Partnership Agreements		962,877	536,814
Total Promotion of the Arts Partnership Agreements	45.025	996,977	570,614
<b>Total National Endowment for the Arts</b>		<u><b>996,977</b></u>	<u><b>570,614</b></u>
<b>Small Business Administration</b>			
State Trade Expansion	59.061	463,338	463,338
<b>Total Small Business Administration</b>		<u><b>463,338</b></u>	<u><b>463,338</b></u>
<b>Department of Veterans Affairs</b>			
Veterans State Nursing Home Care	64.015	27,721,682	-
Burial Expenses Allowance for Veterans	64.101	1,797,652	-
Vocational and Educational Counseling for Servicemembers and Veterans	64.125	475,001	-
<b>Total U.S. Department of Veterans Affairs</b>		<u><b>29,994,335</b></u>	<u><b>-</b></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Environmental Protection Agency</b>			
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	\$ 486,638	\$ -
Diesel Emissions Reduction Act (DERA) State Grants	66.040	102,699	102,699
Multipurpose Grants to States and Tribes	66.204	27,568	-
Lead Testing in School and Child Care Program Drinking Water (SDWA 1464(d))	66.444	23,372	-
Water Quality Management Planning	66.454	407,632	14,032
<i>Clean Water State Revolving Fund Cluster</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	93,020,357	89,282,299
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants For Clean Water State Revolving Funds	66.482	49,583,265	49,216,434
<i>Total Clean Water State Revolving Fund Cluster</i>		142,603,622	138,498,733
Nonpoint Source Implementation Grants	66.460	36,599	-
Regional Wetland Program Development Grants	66.461	272,015	-
<i>Drinking Water State Revolving Fund Cluster</i>			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	3,355,449	17,495
Disaster Relief Appropriations Act (DRAA) Hurricane Sandy Capitalization Grants for Drinking Water State Revolving Funds	66.483	13,139,522	12,964,619
<i>Total Drinking Water State Revolving Fund Cluster</i>		16,494,971	12,982,114
Beach Monitoring and Notification Program Implementation Grants	66.472	12,439	12,439
Performance Partnership Grants	66.605	17,365,214	2,828,346
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701	66,690	-
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707	124,538	-
Pollution Prevention Grants Program	66.708	14,170	1,094
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	729,113	-
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804	539,895	-
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805	1,457,644	-
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809	34,355	-
State and Tribal Response Program Grants	66.817	556,575	-
<b>Total U.S. Environmental Protection Agency</b>		<b>181,355,749</b>	<b>154,439,457</b>
<b>U.S. Department of Energy</b>			
State Energy Program	81.041	2,067,837	224,612
Weatherization Assistance for Low -Income Persons	81.042	3,227,639	2,338,171
State Energy Program Special Projects	81.119	205,731	-
Administration Costs Consolidations	81.ADM	(186,235)	-
<b>Total U.S. Department of Energy</b>		<b>5,314,972</b>	<b>2,562,783</b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Education</b>			
Adult Education - Basic Grants to States	84.002	\$ 17,116,978	\$ 14,729,530
Title I Grants to Local Educational Agencies	84.010	334,795,560	331,706,633
Migrant Education State Grant Program	84.011	1,666,240	1,512,422
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	1,948,968	141,359
<i>Special Education Cluster (IDEA)</i>			
Special Education Grants to States	84.027	372,318,400	348,285,553
Special Education Preschool Grants	84.173	10,238,269	10,129,403
<i>Total Special Education Cluster</i>		<u>382,556,669</u>	<u>358,414,956</u>
Federal Family Education Loans	84.032	24,575	-
Career and Technical Education -- Basic Grants to States	84.048	23,219,133	21,037,729
Career and Technical Education -- National Programs	84.051	250,666	200,023
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	50,384,779	1,022,125
Migrant Education Coordination Program	84.144	98,555	-
Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	84.177	530,349	530,349
Special Education-Grants for Infants and Families	84.181	9,428,581	6,580,118
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187	171,484	-
Education for Homeless Children and Youth	84.196	2,801,108	2,526,255
Twenty-First Century Community Learning Centers	84.287	23,797,522	22,664,257
Special Education - State Personnel Development	84.323	1,250,780	-
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	2,559,175	2,302,120
Rural Education	84.358	25,923	25,508
English Language Acquisition State Grants	84.365	17,378,864	16,623,474
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	41,826,638	40,764,296
Grants for State Assessments and Related Activities	84.369	8,999,197	-
Statewide Longitudinal Data Systems	84.372	87,185	-
School Improvement Grants	84.377	4,965,963	4,931,333
Student Support and Academic Enrichment Program	84.424	20,519,568	20,028,166
<i>Education Stabilization Fund</i>			
COVID-19 - Governor's Emergency Education Relief Fund	84.425C	68,497,525	68,364,996
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	209,424,249	208,304,361
Total Education Stabilization Fund	84.425	<u>277,921,774</u>	<u>276,669,357</u>
Contractual Agreements	84.CON	179,268	-
Unassigned Catalog Numbers from Federal Government	84.UNA	6,089	-
<b>Total U.S. Department of Education</b>		<u><b>1,224,511,591</b></u>	<u><b>1,122,410,010</b></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Election Assistance Commission</b>			
Help America Vote Act Requirements Payments	90.401	\$ 117,569	\$ -
COVID-19 - 2018 HAVA Election Security Grants	90.404	8,866,484	4,835,593
2018 HAVA Election Security Grants		5,825,450	4,852,225
Total 2018 HAVA Election Security Grants	90.404	<u>14,691,934</u>	<u>9,687,818</u>
<b>Total U.S. Election Assistance Commission</b>		<b><u>14,809,503</u></b>	<b><u>9,687,818</u></b>
<b>U.S. Department of Health and Human Services</b>			
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	143,950	-
COVID-19 - Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	230,869	-
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		<u>448,290</u>	<u>-</u>
Total Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	<u>679,159</u>	<u>-</u>
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	650,524	650,524
<i>Aging Cluster</i>			
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	10,260,714	10,260,714
COVID-19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1,233,852	1,109,937
Special Programs for the Aging, Title III, Part C, Nutrition Services		<u>20,683,919</u>	<u>18,881,895</u>
Total Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	<u>21,917,771</u>	<u>19,991,832</u>
Nutrition Services Incentive Program	93.053	<u>3,515,767</u>	<u>3,515,767</u>
<i>Total Aging Cluster</i>		<u>35,694,252</u>	<u>33,768,313</u>
COVID-19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	1,059,110	1,050,181
COVID-19 - National Family Caregiver Support, Title III, Part E	93.052	33,372	-
National Family Caregiver Support, Title III, Part E		<u>4,773,793</u>	<u>4,634,409</u>
Total National Family Caregiver Support, Title III, Part E	93.052	<u>4,807,165</u>	<u>4,634,409</u>
Public Health Emergency Preparedness	93.069	15,695,822	6,809,460
Environmental Public Health and Emergency Response	93.070	1,316,051	20,575
Medicare Enrollment Assistance Program	93.071	429,792	382,445
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073	201,498	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	124,956	-
Guardianship Assistance	93.090	5,176,302	-
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	1,615,991	1,356,263

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
<i>Hurricane Sandy Relief Cluster</i>			
HHS Programs for Disaster Relief Appropriations Act - Non Construction	93.095	\$ (1,131)	\$ (1,131)
<i>Total Hurricane Sandy Relief Cluster</i>		<u>(1,131)</u>	<u>(1,131)</u>
Food and Drug Administration Research	93.103	1,158,629	179,981
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	1,542,903	1,410,000
Maternal and Child Health Federal Consolidated Programs	93.110	2,048,636	970,807
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	2,083,755	1,189,592
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	213,156	62,953
Emergency Medical Services for Children	93.127	111,314	-
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130	178,030	-
COVID-19 - Injury Prevention and Control Research and State and Community Based Programs	93.136	95,840	80,840
Injury Prevention and Control Research and State and Community Based Programs		6,121,130	3,071,260
Total Injury Prevention and Control Research and State and Community Based Programs	93.136	<u>6,216,970</u>	<u>3,152,100</u>
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	140,869	-
Projects for Assistance in Transition from Homelessness (PATH)	93.150	2,136,448	2,052,718
COVID-19 - Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	155,879	153,732
Coordinated Services and Access to Research for Women, Infants, Children, and Youth		2,386,027	2,236,918
Total Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	<u>2,541,906</u>	<u>2,390,650</u>
Grants to States for Loan Repayment	93.165	34,409	-
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	147,991	-
Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	93.235	1,154,458	832,844
Grants to States to Support Oral Health Workforce Activities	93.236	387,323	59,092
COVID-19 - State Capacity Building	93.240	5,614	-
State Capacity Building		478,095	-
Total State Capacity Building	93.240	<u>483,709</u>	<u>-</u>
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	4,043,726	1,997,177
Early Hearing Detection and Intervention	93.251	233,945	122,610
Occupational Safety and Health Program	93.262	188,223	-

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
COVID-19 - Immunization Cooperative Agreements	93.268	\$ 4,934,337	\$ 2,434,773
Immunization Cooperative Agreements (non-monetary)		93,056,517	-
Immunization Cooperative Agreements		8,262,678	2,312,425
Total Immunization Cooperative Agreements	93.268	106,253,532	4,747,198
Viral Hepatitis Prevention and Control	93.270	382,457	65,030
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	79,519	-
State Partnership Grant Program to Improve Minority Health	93.296	104,919	103,080
PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	93.305	274,749	267,743
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	156,293	-
COVID-19 - Epidemiology and Lab Capacity for Infectious Diseases	93.323	134,538,812	5,252,451
Epidemiology and Laboratory Capacity for Infectious Diseases		3,138,795	-
Total Epidemiology and Lab Capacity for Infectious Diseases	93.323	137,677,607	5,252,451
State Health Insurance Assistance Program	93.324	1,243,393	929,542
Behavioral Risk Factor Surveillance System	93.336	1,183,489	-
ACL Independent Living State Grants	93.369	493,162	-
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	10,801,518	2,695,514
Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	93.367	307,281	-
National and State Tobacco Control Program	93.387	1,292,038	969,153
The State Flexibility to Stabilize the Market Grant Program	93.413	261,562	-
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	1,720,859	1,055,107
Every Student Succeeds Act/Preschool Development Grants	93.434	8,142,036	7,674,778
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436	20,282	-
ACL Assistive Technology	93.464	454,453	415,245
Title IV-E Kinship Navigator Program	93.471	4,292	-
Preventing Maternal Deaths: Supporting Maternal Mortality Review Committees	93.478	356,931	233,125
COVID-19 - Provider Relief Fund	93.498	2,276,236	-
MaryLee Allen Promoting Safe and Stable Families Program	93.556	5,516,348	5,247,381
COVID-19 - Temporary Assistance for Needy Families	93.558	16,209,500	-
Temporary Assistance for Needy Families		224,077,521	108,189,664
Total Temporary Assistance for Needy Families	93.558	240,287,021	108,189,664

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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<b>U.S. Department of Health and Human Services (continued)</b>			
Child Support Enforcement	93.563	\$ 142,391,625	\$ 14,113,000
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	142,899	142,899
COVID-19 - Low -Income Home Energy Assistance	93.568	1,351,283	759,540
Low -Income Home Energy Assistance		<u>129,018,131</u>	<u>15,465,480</u>
Total Low -Income Home Energy Assistance	93.568	<u>130,369,414</u>	<u>16,225,020</u>
COVID-19 - Community Services Block Grant	93.569	8,404,920	8,404,920
Community Services Block Grant		<u>17,619,610</u>	<u>16,936,109</u>
Total Community Services Block Grant	93.569	<u>26,024,530</u>	<u>25,341,029</u>
Community-Based Child Abuse Prevention Grants	93.590	1,769,835	1,629,836
<i>CCDF Cluster</i>			
COVID-19 - Child Care and Development Block Grant	93.575	55,790,746	9,131,027
Child Care and Development Block Grant		<u>203,852,850</u>	<u>39,945,853</u>
Total Child Care and Development Block Grant	93.575	<u>259,643,596</u>	<u>49,076,880</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	<u>76,244,121</u>	<u>20,960,133</u>
<i>Total CCDF Cluster</i>		<u>335,887,717</u>	<u>70,037,013</u>
State Court Improvement Program	93.586	764,245	-
Grants to States for Access and Visitation Programs	93.597	154,630	-
Chafee Education and Training Vouchers Program (ETV)	93.599	613,272	613,272
<i>Head Start Cluster</i>			
Head Start	93.600	<u>161,946</u>	<u>-</u>
<i>Total Head Start Cluster</i>		<u>161,946</u>	<u>-</u>
Adoption and Legal Guardianship Incentive Payments	93.603	711,024	711,024
Developmental Disabilities Basic Support and Advocacy Grants	93.630	1,404,014	797,496
Children's Justice Grants to States	93.643	597,874	595,730
COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	93.645	566,099	-
Stephanie Tubbs Jones Child Welfare Services Program		<u>5,352,018</u>	<u>-</u>
Total Stephanie Tubbs Jones Child Welfare Services Program	93.645	<u>5,918,117</u>	<u>-</u>
Foster Care Title IV-E	93.658	92,783,779	-
Adoption Assistance	93.659	81,518,016	-
COVID-19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	404,256	-
Social Services Block Grant	93.667	45,666,694	1,132,000
Child Abuse and Neglect State Grants	93.669	636,157	636,157
Child Abuse and Neglect Discretionary Activities	93.670	30,423	30,423

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
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Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
COVID-19 - Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	\$ 885,387	\$ 885,387
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		<u>2,818,734</u>	<u>2,818,054</u>
Total Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	<u>3,734,544</u>	<u>3,733,864</u>
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2,217,680	2,217,680
State Public Health Approaches for Ensuring QUILTINE Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	93.735	180,253	99,345
COVID-19 - Elder Abuse Prevention Interventions Program	93.747	500,004	500,004
Elder Abuse Prevention Interventions Program		<u>219,468</u>	<u>-</u>
Total Elder Abuse Prevention Interventions Program	93.747	<u>899,725</u>	<u>599,349</u>
COVID-19 - Children's Health Insurance Program	93.767	25,366,175	-
Children's Health Insurance Program		<u>515,348,589</u>	<u>4,750,453</u>
Total Children's Health Insurance Program	93.767	<u>540,714,764</u>	<u>4,750,453</u>
<i>Medicaid Cluster</i>			
State Medicaid Fraud Control Units	93.775	3,115,462	-
COVID-19 - State Survey and Certification of Health Care Providers and Suppliers (Title XV III) Medicare	93.777	494,407	-
State Survey and Certification of Health Care Providers and Suppliers (Title XV III) Medicare		<u>12,629,755</u>	<u>-</u>
Total State Survey and Certification of Health Care Providers and Suppliers (Title XV III) Medicare	93.777	<u>13,124,162</u>	<u>-</u>
COVID-19 - Medical Assistance Program	93.778	869,549,530	-
Medical Assistance Program		<u>11,560,755,376</u>	<u>175,942,080</u>
Total Medical Assistance Program	93.778	<u>12,430,304,906</u>	<u>175,942,080</u>
<i>Total Medicaid Cluster</i>		<u>12,446,544,530</u>	<u>175,942,080</u>
Opioid STR	93.788	35,781,541	27,674,119
COVID-19 - Money Follow s the Person Rebalancing Demonstration	93.791	346,801	-
Money Follow s the Person Rebalancing Demonstration		<u>9,457,889</u>	<u>2,291,406</u>
Total Money Follow s the Person Rebalancing Demonstration	93.791	<u>9,804,690</u>	<u>2,291,406</u>
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817	750,348	748,926
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	10,820,545	10,797,680
COVID-19 - National Bioterrorism Hospital Preparedness Program	93.889	1,920,859	797,118
National Bioterrorism Hospital Preparedness Program		<u>4,696,124</u>	<u>2,515,811</u>
Total National Bioterrorism Hospital Preparedness Program	93.889	<u>6,616,983</u>	<u>3,312,929</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (continued)</b>			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	\$ 3,633,210	\$ 2,333,507
Grants to States for Operation of State Offices of Rural Health	93.913	262,300	152,620
COVID-19 - HIV Care Formula Grants	93.917	519,504	519,504
HIV Care Formula Grants		<u>22,983,106</u>	<u>8,796,550</u>
Total HIV Care Formula Grants	93.917	<u>23,502,610</u>	<u>9,316,054</u>
HIV Prevention Activities Health Department Based	93.940	13,151,045	7,149,949
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	916,459	231,553
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	190,770	-
Block Grants for Community Mental Health Services	93.958	21,519,143	19,942,147
Block Grants for Prevention and Treatment of Substance Abuse	93.959	41,883,855	21,656,383
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	2,268,079	-
Mental Health Disaster Assistance and Emergency Mental Health	93.982	2,530,493	2,529,959
Preventive Health and Health Services Block Grant	93.991	2,824,005	1,976,305
Maternal and Child Health Services Block Grant to the States	93.994	10,658,785	5,981,746
COVID-19 - Contractual Agreements	93.CON	91,170	91,170
Contractual Agreements		<u>2,704,823</u>	<u>131,609</u>
Total Contractual Agreements	93.CON	<u>2,795,993</u>	<u>222,779</u>
<b>Total U.S. Department of Health and Human Services</b>		<b><u>14,663,871,959</u></b>	<b><u>636,472,538</u></b>
<b>Corporation for National and Community Service</b>			
State Commissions	94.003	136,088	-
AmeriCorps	94.006	3,216,625	2,907,381
Training and Technical Assistance	94.009	195,124	-
<i>Foster Grandparent/Senior Companion Cluster</i>			
Foster Grandparent Program	94.011	<u>677,397</u>	<u>423,000</u>
Total Foster Grandparent/Senior Companion Cluster		<u>677,397</u>	<u>423,000</u>
Volunteer Generation Fund	94.021	<u>287,189</u>	<u>233,801</u>
<b>Total Corporation for National and Community Service</b>		<b><u>4,512,423</u></b>	<b><u>3,564,182</u></b>
<b>Social Security Administration</b>			
<i>Disability Insurance/SSI Cluster</i>			
Social Security Disability Insurance	96.001	<u>58,305,102</u>	<u>-</u>
Total Disability Insurance/SSI Cluster		<u>58,305,102</u>	<u>-</u>
<b>Social Security Administration (continued)</b>			
Unassigned Catalog Numbers From Federal Government	96.UNA	<u>(30,992)</u>	<u>(39,640)</u>
<b>Total Social Security Administration</b>		<b><u>58,274,110</u></b>	<b><u>(39,640)</u></b>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

Federal Grantor/ Program or Cluster Title	Assistance Listing Number	Federal Expenditures	Passed Through to Subrecipients
<b>U.S. Department Homeland Security</b>			
Non-Profit Security Program	97.008	\$ 6,070,594	\$ 6,070,594
Boating Safety Financial Assistance	97.012	2,179,078	-
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023	267,000	-
National Urban Search and Rescue (US&R) Response System	97.025	2,046,566	368,228
Flood Mitigation Assistance	97.029	11,580,704	11,543,380
COVID-19 - Crisis Counseling	97.032	1,007,142	787,341
COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	396,984,876	265,552,983
Disaster Grants - Public Assistance (Presidentially Declared Disasters)		<u>99,081,512</u>	<u>94,415,335</u>
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>496,066,388</u>	<u>359,968,318</u>
Hazard Mitigation Grant	97.039	12,480,262	11,701,743
National Dam Safety Program	97.041	171,591	-
COVID-19 - Emergency Management Performance Grants	97.042	1,324,413	-
Emergency Management Performance Grants		<u>7,322,762</u>	<u>1,935,221</u>
Total Emergency Management Performance Grants	97.042	<u>8,647,175</u>	<u>1,935,221</u>
Cooperating Technical Partners	97.045	826,212	-
BRIC: Building Resilient Infrastructure and Communities	97.047	1,083,031	1,014,266
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050	1,370,681,459	-
Port Security Grant Program	97.056	569,215	-
Homeland Security Grant Program	97.067	22,386,620	16,013,433
Homeland Security Biowatch Program	97.091	406,818	-
Presidential Residence Protection Security Grant	97.134	295,081	-
<b>Total U.S. Department Homeland Security</b>		<u><b>1,936,764,936</b></u>	<u><b>409,402,524</b></u>
<b>Total Expenditures of Federal Awards</b>		<u><b>\$ 45,379,801,369</b></u>	<u><b>\$ 4,206,857,301</b></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**STATE OF NEW JERSEY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

**Reporting Entity**

The Schedule of Expenditures of Federal Awards (the Schedule) includes all federal award programs administered by the State of New Jersey (the State) except for component units for the fiscal year ended June 30, 2021. The State financial reporting entity is described in note 1b of the State's Annual Comprehensive Financial Report. Accordingly, the accompanying Schedule presents the federal awards programs administered by the State, as defined above, for the year ended June 30, 2021.

**Federal Family Education Loan Program**

On December 31, 2019 the State transferred its outstanding Federal Family Education Loan Program - Guaranty Program (FFELP) portfolio to the federally designated successor agency, Kentucky Higher Education Assistance Authority (KHEAA). As of January 1, 2020 the State is no longer a FFELP guaranty agency and has not purchased or serviced defaulted loans per the transfer agreement. As a result of this transfer of the State's entire portfolio to KHEAA during the prior fiscal year, the principal amount outstanding for guaranteed loans as of June 30, 2021 and 2020 were \$0 and \$0, respectively. Program administrative costs during the current fiscal year 2021 amounted to \$24,575.

**Federal Awards Programs Numbers**

Certain programs presented in the accompanying Schedule include Federal award programs that have not been assigned a federal Assistance Listing Number (ALN), 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".

**NOTE 2 BASIS OF ACCOUNTING**

**General**

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

**Matching Costs**

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

**Indirect Costs**

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

**STATE OF NEW JERSEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

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

**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.

**NOTE 3 RELATIONSHIP TO FEDERAL FINANCIAL REPORTS**

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

**NOTE 4 NONMONETARY FEDERAL FINANCIAL ASSISTANCE**

The State is the recipient of federal financial assistance programs that do not result in cash receipts of disbursements. Noncash amounts received by the State are included in the Schedule as follows:

	Assistance Listing	Amounts
COVID-19 - Pandemic EBT	10.542	\$ 1,049,697,269
Supplemental Nutrition Assistance Program	10.551	1,171,501,649
Emergency Food Assistance Program	10.569	35,133,758
COVID-19 - Emergency Food Assistance Program	10.569	12,238,872
Immunization Grants	93.268	93,056,517
		\$ 2,361,628,065

**NOTE 5 CONTINGENCIES**

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

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

**STATE OF NEW JERSEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

**NOTE 6 DISASTER GRANTS – PUBLIC ASSISTANCE (ASSISTANCE LISTING 97.036)**

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

In fiscal year 2021, FEMA approved approximately \$1,424,600 of eligible expenditures that were incurred in a prior year and are included in the Schedule.

**NOTE 7 UNEMPLOYMENT INSURANCE**

In accordance with U.S. Department of Labor guidance, the State recorded State Regular Unemployment Compensation (UC) benefits under Assistance Listing #17.225 in the Schedule. The individual State and Federal portions are as follows:

State Regular UC Benefits	\$ 3,410,570,038
Federal Pandemic Emergency Unemployment Compensation (PEUC)	3,130,361,126
Federal Extended Benefits (EB)	707,924,622
Federal Pandemic Unemployment Assistance (PUA)	4,801,461,560
Federal Pandemic Unemployment Compensation (FPUC)	7,721,400,974
Federal 1st Week Implementation Benefits	106,809,581
Federal Administration	179,714,959
	\$ 20,058,242,860

**NOTE 8 PRESIDENTIAL DECLARED DISASTER ASSISTANCE TO INDIVIDUALS AND HOUSEHOLDS – OTHER NEEDS (FEMA LOST WAGES ASSISTANCE) (ASSISTANCE LISTING 97.050)**

In August 2020, a Presidential Memorandum authorized FEMA to expend up to \$44 billion from the Disaster Relief Fund to ease the economic burden for those who experienced lost wages due to the COVID-19 pandemic. FEMA delivered this supplemental assistance through the Other Needs Assistance provision of the Individuals and Households Program and provided lump sum grants to participating states. During fiscal year 2021, the State expended \$1,370,681,459 of FEMA Lost Wages Assistance funds.

**STATE OF NEW JERSEY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2021**

**NOTE 9 REBATES FROM THE SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS, AND CHILDREN (WIC)**

During fiscal year 2021, the state received cash rebates from infant formula manufacturers in the amount of \$29,240,918 on sales of formula to participants in the WIC program (Assistance Listing 10.557), which are netted against total expenditures included in the Schedule. Rebate contracts with infant formula manufacturers are authorized by Code of Federal Regulations, Title 7: Agriculture, Subtitle B, Chapter II, Subchapter A, Part 246.16a as a cost containment measure. Rebates represent a reduction of expenditures previously incurred for WIC food benefit costs. Applying the rebates received to such costs enabled the State to extend program benefits to more participants than could have been serviced this fiscal year in the absence of the rebate contract.

**NOTE 10 DONATED PERSONAL PROTECTIVE EQUIPMENT (PPE) (UNAUDITED)**

The State is the recipient of federally donated PPE. The fair market value of the PPE at the time of receipt was \$97.2 million. This amount is not reported on the Schedule.

**NOTE 11 CCDF CLUSTER (ASSISTANCE LISTINGS 93.575 AND 93.596)**

Expenditures reported in the Schedule for the Child Care Development Fund (CCDF) Cluster include the following funding sources:

CCDBG	\$	203,852,850
CCDF Mandatory and Matching		76,244,121
CCDF Disaster Relief		-
CCDF CARES		-
CCDF CRRSA		55,790,746
CCDF ARP Supplemental		-
CCDF ARP Child Stabilization Funds		-
		\$ 335,887,717

**NOTE 12 HOUSING CHOICE VOUCHER PROGRAM (ASSISTANCE LISTING 14.871)**

In accordance with reporting requirements established by U.S. Department of Housing and Urban Development Notice PIH 2021-25 (HA), Section 8.k., the Schedule includes \$0 in Emergency Housing Vouchers (EHV) funding issued under the American Rescue Plan Act of 2021.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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**Financial Statements**

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

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

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

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes   X   None

Internal control over financial reporting on the schedule of expenditures of federal awards:

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

Noncompliance material to schedule of expenditures of federal awards noted? \_\_\_\_\_ Yes   X   None

**Federal Awards**

Internal control over major programs:

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

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

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

Dollar threshold used to distinguish between type A and type B programs: **\$68,069,702**

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

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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***Identification of Major Programs***

Major Programs	Assistance Listing	Opinion
Pandemic EBT Food Benefits	10.542	Unmodified
SNAP Cluster	10.551, 10.561	Unmodified
CDBG Disaster Recovery Grants Cluster	14.269, 14.272	Unmodified
Housing Voucher Cluster	14.871, 14.879	Unmodified
Unemployment Insurance	17.225	Qualified
Highway Planning and Construction Cluster	20.205, 20.219	Unmodified
Coronavirus Relief Fund	21.019	Unmodified
Emergency Rental Assistance	21.023	Unmodified
Vocational Education-Basic Grants To States	84.048	Unmodified
Education Stabilization Fund	84.425	Unmodified
Aging Cluster	93.044, 93.045, 93.053	Qualified
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Qualified
Child Support Enforcement	93.563	Unmodified
Foster Care - Title IV-E	93.658	Unmodified
Adoption Assistance	63.659	Unmodified
Medicaid Cluster	93.775, 93.777, 93.778	Qualified
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050	Unmodified
Homeland Security Grant Program	97.067	Unmodified

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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**Section II – Financial Statement Findings**

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**Finding 2021-001 - Unemployment Compensation Fund (UI Fund)**

**Financial Statement Reporting**

The Department of Labor and Workforce Development (DOLWD) is responsible for preparing complete and accurate financial statements for presentation to the Department of the Treasury's Office of Management and Budget – Financial Reporting (OMBFR). The OMBFR is responsible for including those financial statements in the state's Annual Comprehensive Financial Report (ACFR).

We presented two audit adjustments totaling \$560,442,128 to the UI Fund's Accounts Receivable, Benefits Payable, Benefits Expense, and Revenue accounts because of omissions and calculation errors regarding estimates made by the DOLWD. The first audit adjustment was to record an omission of a year-end accrual for Benefits Payable related to the Federal Pandemic Unemployment Compensation (FPUC) program totaling \$348,148,800 the DOLWD failed to record. Since FPUC payments were federally reimbursed, thereby requiring an offsetting receivable, this error had no effect on the total Net Position. The second audit adjustment occurred because the DOLWD changed their methodology, which contained an error in the calculation of uncollectible accounts receivable related to employer and employee contributions. This audit adjustment decreased the total Net Position by \$212,293,328.

Additionally, our audit found the DOLWD has not reviewed or adjusted the rate it uses for their Benefits Overpaid Receivable collections since 2014. The DOLWD has experienced a significant increase in suspicious claims paid from \$32,933,333 in fiscal year 2020 to \$232,670,866 in fiscal year 2021 as a result of increased claims activity during the COVID-19 pandemic. The DOLWD deems the majority of the suspicious claims paid to be improper or fraudulent. Even though fraudulent claims, such as identity theft cases, are deemed for the most part uncollectable, the DOLWD has not adjusted the historic 18 percent collection rate. Failure to analyze the effect of current events on the receivables could result in an overstatement of the total Net Position.

Legislation has established the rate employers will contribute to the Unemployment Compensation Fund through fiscal year 2024. Absent any future legislation, the contribution rates to be established in the future will be based on a formula to which the UI Fund's Net Position is a component. Therefore, errors affecting the total Net Position could affect the contribution rates.

**Recommendation**

We recommend the DOLWD conduct a more independent and detailed review and approval process of the UI Fund's financial statements, including their calculations of estimates, prior to submission to OMBFR. Additionally, we recommend the DOLWD periodically review the collection rate related to benefits overpaid to account for the impact of current events.

**Response**

The OMBFR has consulted with the DOLWD - Financial Reporting (DOLWDFR) and have collectively agreed that we appreciate the suggestions of the State Auditor. DOLWDFR will be utilizing their Internal Audit group to perform a third-party independent review of their financial statements, including estimate and accrual calculations, beginning in Fiscal Year 2022. Additionally, DOLWDFR will be conducting an annual review of their collection rates related to benefits overpaid.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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

Major Federal Program	Federal Agency (Prefix)	Assistance Listing #	Finding #	Internal Control		Compliance
				Material Weakness	Significant Deficiency	
Pandemic EBT Food Benefits	USDA (10)	10.542	2021-002	X		
SNAP Cluster	USDA (10)	10.551, 10.561	2021-003		X	X
Housing Voucher Cluster	U.S. HUD (14)	14.871, 14.879	2021-004		X	X
Housing Voucher Cluster	U.S. HUD (14)	14.871, 14.879	2021-005		X	X
Housing Voucher Cluster	U.S. HUD (14)	14.871, 14.879	2021-006		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-007	X		X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-008		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-009		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-010		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-011		X	X
Unemployment Insurance	U.S. DOL (17)	17.225	2021-012		X	
Unemployment Insurance Coronavirus Relief Fund Adoption Assistance Presidential Declared Disaster Assist. to Individuals	U.S. DOL (17) TREAS (21) U.S. HHS (93) U.S. DHS (97)	17.225 21.019 93.659 97.050	2021-013		X	
Highway Planning and Construction Cluster	U.S. DOT (20)	20.205, 20.219, 20.224	2021-014		X	X
Aging Cluster	U.S. HHS (93)	93.044, 93.045, 93.053	2021-015	X		X
Epidemiology and Laboratory Capacity for Infectious Diseases	U.S. HHS (93)	93.323	2021-016	X		
Epidemiology and Laboratory Capacity for Infectious Diseases	U.S. HHS (93)	93.323	2021-017	X		X
Medicaid Cluster	U.S. HHS (93)	93.775, 93.777, 93.778	2021-018		X	X
Medicaid Cluster	U.S. HHS (93)	93.775, 93.777, 93.778	2021-019		X	X
Medicaid Cluster	U.S. HHS (93)	93.775, 93.777, 93.778	2021-020	X		X

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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<b>Reference Number:</b>	<b>2021-002</b>
<b>Prior Year Finding:</b>	N/A
<b>Federal Agency:</b>	U.S. Department of Agriculture
<b>State Agency:</b>	Department of the Treasury, Office of Management and Budget
<b>Federal Program:</b>	COVID-19 – Pandemic EBT Food Benefits
<b>Assistance Listing Number:</b>	10.542
<b>Award Number and Year:</b>	2020 - 2021
<b>Compliance Requirement:</b>	Reporting: Schedule of Expenditures of Federal Awards
<b>Type of Finding</b>	Material Weakness in Internal Control Over Compliance

**Criteria or specific requirement:**

*Compliance:* Per 2 CFR 200 Section 510(b), the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with Section 200.502. The schedule must list individual Federal programs by Federal agency and provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. It must also include the total amount provided to subrecipients from each Federal program. Per Section 502(g), Federal non-cash assistance, such as free rent, food commodities, donated property, or donated surplus property, must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.

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

**Condition:**

The Schedule of Expenditures of Federal Awards (SEFA) submitted to auditors for test work was missing a non-cash assistance program which was later determined to be a new Type A program.

**Context:**

When reconciling support to the SEFA submitted to auditors during test work, it was discovered that approximately \$1 billion in non-cash assistance was omitted from the SEFA for program 10.542 – COVID-19 - Pandemic EBT Food Benefits. After the error was detected, this program was determined to be a new major program.

**Questioned costs:**

Undetermined.

**STATE OF NEW JERSEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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**Cause:**

Procedures and internal controls were not sufficient to ensure that non-cash assistance reported on the SEFA were complete and accurate. The State's SEFA is initially prepared by the Department of the Treasury, Office of Management and Budget (OMB) using reports from the State's NJCFS accounting system. After compilation by OMB, preliminary SEFA expenditures are reviewed and confirmed by program administering State agencies and, when necessary, adjustment detail is submitted to OMB to be included in the final SEFA, including adjustments for non-cash assistance programs. Although the program administering agency reviewed and confirmed their programs' expenditures to OMB, assistance listing 10.542 had been omitted.

**Effect:**

Federal non-cash assistance was incorrectly compiled and reported on the SEFA which was used to determine Type A and Type B programs for the FY 2021 Single Audit. After the error was detected and corrected, Assistance Listing 10.542 was required to be audited as a new major program.

**Recommendation:**

We recommend that OMB improve its SEFA compilation process to ensure that program expenditures reported on the State's SEFA are complete and accurate. Procedures and controls should include a process to identify non-cash assistance programs that are new to the State and ensure they are included on the SEFA.

We further recommend that OMB work with the State's agencies and departments to review and update their SEFA review and confirmation procedures to ensure that all necessary adjustments, including adjustments for non-cash assistance, are submitted to OMB for inclusion in the final SEFA report.

**Views of responsible officials:**

The Office of Management and Budget (OMB) has revised its annual GN12/SEFA Confirmation Letter and instructions sent out to all State agencies for the FY 2022 audit engagement in response to this finding. The Pandemic EBT Food Benefits program (PEBT) was a new, non-monetary benefits program established by the USDA during the FY 2021 audit period in response to COVID-19 and it is administered by the Department of Human Services (DHS). DHS was responsible for calculating benefits to be paid to eligible recipients and communicating that information/data to a national vendor who is contracted to make all disbursements nationwide under the program for all States. Non-monetary assistance like the PEBT program does not flow through the NJCFS accounting system and are not set-up in the system's Grant Module like traditional monetary assistance and awards received from the federal government. OMB was not able to independently identify this new program through regular NJCFS channels, nor did DHS report the required non-monetary adjustment info for the PEBT benefits amount calculated during OMB's annual SEFA and federal expenditures confirmation process. As a result, the PEBT program benefits calculated amount was omitted from the original SEFA provided to the auditors.

The non-monetary instructions included in the FY 2022 SEFA confirmation letter were revised in August 2022 to emphasize the importance of reporting all such assistance to OMB during the annual SEFA confirmation process. In addition, OMB will make enhancements to the analytical and prior year comparison procedures it performs each year on the SEFA and will continue its efforts to stay abreast and up to date on all new federal programs that may originate each year, especially non-monetary assistance programs required to be included on the SEFA.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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<b>Reference Number:</b>	<b>2021-003</b>
<b>Prior Year Finding:</b>	N/A
<b>Federal Agency:</b>	U.S. Department of Health and Human Services
<b>State Agency:</b>	Department of Human Services
<b>Federal Program:</b>	SNAP Cluster
<b>Assistance Listing Number:</b>	10.551, 10.561
<b>Award Number and Year:</b>	1NJ400404 (10/1/2019 – 9/30/2021)
<b>Compliance Requirement:</b>	Suspension and Debarment
<b>Type of Finding:</b>	Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

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, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

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

**Condition:**

The Department of Human Services (Department) did not verify that one of its subrecipients had not been suspended or debarred or otherwise excluded from participating in the transaction before issuing subawards to the entity.

**Context:**

Seven subrecipients were selected for testing, to which thirteen grant awards were issued. The Department did not verify that one of seven subrecipients had not been suspended or debarred or

**STATE OF NEW JERSEY  
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YEAR ENDED JUNE 30, 2021**

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

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otherwise excluded. Three subawards had been issued to the entity to which payments of \$100,601 had been issued during the fiscal year.

**Cause:**

The Department's procedures and controls were not operating sufficiently to ensure that the suspension and debarment status of its subrecipients were verified when it issued subawards.

**Effect:**

If the suspension and debarment status of subrecipients is not verified when entering into covered transactions, it is possible that an award could be issued to an ineligible subrecipient.

**Questioned costs:**

None noted.

**Recommendation:**

We recommend that the Department develop internal controls and procedures to ensure that subrecipients are not suspended or debarred or otherwise excluded from participating in subawards. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

**Views of responsible officials:**

The Division of Family Development (DFD) is in agreement with the audit finding in reference to the suspension and debarment testing exception noted for one subrecipient that received three subawards totaling \$100,601. The Division was unable to provide detailed documentation as support that the subrecipient had not been suspended or debarred before issuing the subawards.

DFD will enhance current internal control procedures to ensure that a suspension/debarment check on the federal System for Award Management (SAM) Exclusions website is performed annually on each subrecipient utilized by the Division and that the subrecipient's status is documented at the proper time.

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

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**Reference Number:** 2021-004  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Housing Voucher Cluster  
**Assistance Listing Number:** 14.871, 14.879  
**Award Number and Year:** NJ912 (2021)  
**Compliance Requirement:** Special Tests and Provisions – Housing Assistance Payment  
**Type of Finding:** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The Public Housing Authority (PHA) must pay a monthly Housing Assistance Payment (HAP) that corresponds with the amount on line 12u of the HUD-50058. This HAP amount must be reflected on the HAP contract and HAP register (24 CFR section 982.158 and 24 CFR Part 982, Subpart K).

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

**Condition:**

Documentation provided by the Department of Community Affairs (Department) was incomplete supporting housing assistance payments.

**Context:**

For 1 of 40 tenants selected for testing, the contract or contract amendment (portions letter) was missing from the file. Support that the HAP amount was reflected on the HAP contract could not be verified.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s procedures were not sufficient to ensure that tenant files contained all required information. Internal controls did not prevent or detect the errors.

**Effect:**

Missing information from tenant files could result in an inaccurate HAP for the tenant.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2021**

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

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**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that all tenant files contain all required supporting documentation.

**Views of responsible officials:**

As recommended, the Department of Community Affairs (DCA) will review its policies and procedures to ensure that all tenant files contain all required supporting documentation and will adopt appropriate actions as indicated by the review. The DCA will also provide additional ongoing training to staff regarding these policies and procedures.

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

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**Reference Number:** 2021-005  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Housing Voucher Cluster  
**Assistance Listing Number:** 14.871, 14.879  
**Award Number and Year:** NJ912 (2021)  
**Compliance Requirement:** Special Tests and Provisions – Reasonable Rent  
**Type of Finding:** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The Public Housing Authority's (PHA's) administrative plan must state the method used by the PHA to determine that the rent to owner is reasonable in comparison to rent for other comparable unassisted units. The PHA determination must consider unit attributes such as the location, quality, size, unit type, and age of the unit, and any amenities, housing services, maintenance, and utilities provided by the owner.

The PHA must determine that the rent to owner is reasonable at the time of initial leasing. Also, the PHA must determine reasonable rent during the term of the contract (a) before any increase in the rent to owner, and (b) at the housing assistance payment (HAP) contract anniversary if there is a 5 percent decrease in the published Fair Market Rent in effect 60 days before the HAP contract anniversary. The PHA must maintain records to document the basis for the determination that rent to owner is a reasonable rent (initially and during the term of the HAP contract) (24 CFR sections 982.4, 982.54(d)(15), 982.158(f)(7), and 982.507).

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

**Condition:**

Documentation provided by the Department of Community Affairs (Department) was incomplete relating to reasonable rent determinations. Further, the Department completed rent determinations after the effective date.

**Context:**

Reasonable rent determinations are required at the time of initial leasing. Forty newly admitted tenants were selected for testing and we noted the following exceptions:

- For 4 of 40 tenants, the reasonable rent determination date was after the effective date

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

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- For 2 of 40 tenants, the tenants were incorrectly entered into the system as being admitted to the program in 2021, when they were actually admitted back in 2019.

Reasonable rent determinations are also required during the term of the contract. Forty rent increase and/or HAP contract anniversary tenants were selected for testing and we noted the following exceptions:

- For 2 of 40 tenants, the reasonable rent determination date was after the effective date.
- For 1 of 40 tenants, the tenant file was missing support for the letter to the landlord and tenant notifying them of the adjusted rent amounts.

**Questioned costs:**

Undetermined.

**Cause:**

The Department's procedures were not sufficient to ensure that tenant files contained all required information. In addition, procedures and controls were not sufficient to ensure that rent determinations were completed prior to the effective date.

**Effect:**

Errors in tenant benefits could result when rent determinations are completed after the effective date.

**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that tenant files contain all required supporting documentation and that all rent determinations are completed prior to the effective date.

**Views of responsible officials:**

As recommended, the Department of Community Affairs (DCA) will review its policies and procedures to ensure that tenant files contain all required supporting documentation and that all rent determinations are completed prior to the effective date. The DCA will also provide additional ongoing training to staff regarding these policies and procedures.

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

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**Reference Number:** 2021-006  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Housing and Urban Development  
**State Agency:** Department of Community Affairs  
**Federal Program:** Housing Voucher Cluster  
**Assistance Listing Number:** 14.871, 14.879  
**Award Number and Year:** NJ912 (2021)  
**Compliance Requirement:** Special Tests and Provisions – Selection from the Waiting List  
**Type of Finding:** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The Public Housing Authority (PHA) must have written policies in its Housing Choice Voucher Program (HCVP) administrative plan for selecting applicants from the waiting list and PHA documentation must show that the PHA follows these policies when selecting applicants for admission from the waiting list. Except as provided in 24 CFR section 982.203 Special admission (non-waiting list), all families admitted to the program must be selected from the waiting list. “Selection” from the waiting list generally occurs when the PHA notifies a family whose name reaches the top of the waiting list to come in to verify eligibility for admission (24 CFR sections 5.410, 982.54(d), and 982.201 through 982.207).

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

**Condition:**

The Department of Community Affairs (Department) incorrectly identified tenants as being selected from the waitlist and admitted into the program during FY2021. The tenants were documented as being admitted in the program in FY2021; upon review of the tenant’s files, it was noted that the tenants were admitted into the program in FY2020.

**Context:**

For two of forty tenants selected for testing, the tenant admission date was incorrectly entered in the system. This tenants were newly admitted to the program in FY2020, not FY2021.

**Questioned costs:**

Undetermined.

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

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**Cause:**

Internal controls and supervisory review did not detect the errors in a timely manner.

**Effect:**

The Department had an inaccurate list of tenants on the FY2021 waitlist.

**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that proper documentation is maintained to support the correct date of tenant's admittance into the program.

**Views of responsible officials:**

As recommended, the Department of Community Affairs (DCA) will review its policies and procedures to ensure that the proper documentation is maintained to support the correct date of the tenant's admittance to the program. The DCA will also provide additional ongoing training to staff regarding these policies and procedures.

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

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<b>Reference Number:</b>	<b>2021-007</b>
<b>Prior Year Finding:</b>	2020-005
<b>Federal Agency:</b>	U.S. Department of Labor
<b>State Agency:</b>	Department of Labor and Workforce Development
<b>Federal Program:</b>	Unemployment Insurance, COVID-19 – Unemployment Insurance
<b>Assistance Listing Number:</b>	17.225
<b>Award Number and Year:</b>	UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)
<b>Compliance Requirement:</b>	Eligibility
<b>Type of Finding</b>	Material Weakness in Internal Control Over Compliance, Material Noncompliance

**Criteria or specific requirement:**

**Compliance:** Regular Unemployment Compensation (UC) Program – Under state UC laws, a worker's benefit rights depend on the amount of the worker's wages and/or weeks of work in covered employment in a "base period." While most states define the base period as the first four of the last five completed calendar quarters prior to the filing of the claim, other base periods may be used. To qualify for benefits, a claimant must have earned a certain amount of wages or have worked a certain number of weeks or calendar quarters within the base period or meet some combination of wage and employment requirements. Some states require a waiting period of one week of total or partial unemployment before UC is payable. A "waiting period" is a non-compensable period of unemployment in which the worker is otherwise eligible for benefits. To be eligible to receive UC, all states provide that a claimant must have been separated from suitable work for non-disqualifying reasons under state law (i.e., not because of such acts as leaving voluntarily without good cause or discharge for misconduct connected with work). After separation, he or she must be able and available for work, actively seeking work, legally authorized to work in the United States and must not have refused an offer of suitable work.

Pandemic Unemployment Assistance (PUA) – PUA provides benefits to covered individuals, who are those individuals not eligible for regular unemployment compensation (UC or extended benefits under state or federal law or Pandemic Emergency Unemployment Compensation (PEUC), including those who have exhausted all rights to such benefits. Covered individuals also include self-employed, those seeking part-time employment, individuals lacking sufficient work history, and those who otherwise do not qualify for regular unemployment compensation or extended benefits under state or federal law or PEUC.

PUA is payable to individuals who are ineligible for regular UC, and are unemployed, partially unemployed, or unable or unavailable to work due to one of the COVID-19 related reasons identified Attachment I to UIPL No. 16-20, Change 5. Section 2102(a)(3)(A)(ii)(I) of the CARES Act included 10 specific COVID-19 related reasons. The Department, under the authority provided by Section 2102(a)(3)(A)(ii)(I)(kk) of the CARES Act, has added additional COVID-19 related reasons; these are discussed in more detail in Section 4.a. of UIPL No. 16-20, Change 5. While three of these new COVID-19 related reasons were introduced to states with the publication of UIPL No. 16-20, Change 5 on February 25, 2021, all COVID-19 related reasons apply retroactively to the beginning of the PUA program.

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

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Additionally, as described in Section 4.b.i. of UIPL No. 16-20, Change 5, paraphrasing of the COVID-19 related reasons is not permissible; individuals must be permitted to select more than one COVID-19 related reason; individuals must be permitted to select different COVID-19 related reasons each week; and individuals must be permitted to file and select no COVID-19 related reasons.

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

**Condition:**

Ineligible claimants received unemployment insurance benefits. The Department of Labor and Workforce Development (Department) did not maintain an effective control environment over eligibility requirements of the New Jersey Local Office Online Payment System (NJLOOPS) for both regular Unemployment Compensation and Pandemic Unemployment Assistance.

**Context:**

Sixty claimants were selected for testing which included 32 claimants for regular UC (including extended benefits and PEUC) and 28 claimants for PUA. We noted the following exceptions:

- Regular UC: 2 of 32 claimants receiving benefits had voluntarily left work and were ineligible for the program.
- PUA: 8 of 28 claimants receiving PUA did not identify a COVID-19 reason for their unemployment and were ineligible for the program.

**Questioned costs:**

\$18,957 - The total amount of benefits received by ineligible recipients:

- Regular UC: \$16,614
- PUA: \$2,343

**Cause:**

The Department began providing benefits to claimants before NJLOOPS had completed the eligibility determination process.

**Effect:**

Ineligible claimants received unemployment compensation benefits.

**Recommendation:**

We recommend the Department review and enhance procedures and controls to ensure that only eligible claimants receive unemployment compensation benefits.

**Views of responsible officials:**

The Division of Unemployment Insurance (DUI) will emphasize in its ongoing training plan for all Unemployment Insurance (UI) employees the requirement to confirm that the claimant, in order to be eligible to receive UI benefits, was not at fault for their separation from employment.

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

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Since the Pandemic Unemployment Assistance (PUA) program ended over a year ago on September 4, 2021 and PUA claims are no longer being filed, no action will be taken by the DUI at this time to alert staff of the requirement to ensure that one of the COVID-19 related reasons was not identified.

Steps will also be taken by the DUI to attempt to recoup any UI or PUA benefits that were improperly paid.

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

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**Reference Number:** 2021-008  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance  
**Assistance Listing Number:** 17.225  
**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)  
**Compliance Requirement:** Special Tests and Provisions - Employer Experience Rating  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* Certain benefits accrue to states and employers as a result of the state having a federally approved experience-rated UI tax system. All states currently have an approved system. For the purpose of proper administration of the system, the State Workforce Agency (SWA) maintains accounts, or subsidiary ledgers, on state UI taxes received or due from individual employers, and the UI benefits charged to the employer.

The employer's "experience" with the unemployment of former employees is the dominant factor in the SWA computation of the employer's annual state UI tax rate. The computation of the employer's annual tax rate is based on state UI law (26 USC 3303).

States were provided with temporary emergency flexibility regarding experience rating as needed in response to the spread of COVID-19. As such, a state should have supporting documentation (e.g., statutory changes, emergency rules, or executive orders) if this temporary flexibility was exercised for the time period in question.

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

**Condition:**

The Department of Labor and Workforce Development (Department) did not maintain an effective control environment over Employer Experience Rating requirements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Context:**

One of sixty employers selected for testing had an incorrectly calculated Employee Experience Rate applied. The rate did not match the employer's IRS 940C Form.

**Questioned costs:**

Undetermined.

**Cause:**

The Department's controls were not operating sufficiently to ensure that employer rates were calculated and applied properly. For this particular employer, its date of first hire was inadvertently changed in NJLOOPS from 1969 to 2019 which resulted in the incorrect calculation of the employee experience rate.

**Effect:**

An incorrect Employee Experience Rate was applied to an employer.

**Recommendation:**

We recommend the Department review and enhance procedures and controls to ensure that employer experience rates are properly calculated and applied.

**Views of responsible officials:**

The Department of Labor and Workforce Development (DLWD) would like to note that only one out of 60 cases that were reviewed by the auditors was cited as an exception. Based on those results that error statistic falls within the tolerance limit for the USDOL Tax Performance System and does not require further action by DLWD.

This issue was caused by an Employer Identification Number (EIN) that was renumbered by the Department of the Treasury, Division of Revenue and Enterprise Services (DORES) that did not transfer over to the Tax System. The solution is for the DLWD Employer Accounts Division to request a Renumber Report that can be manually reviewed by tax examiners in Status/Experience Rating for possible corrective action. DLWD will implement the request for a Renumber Report and this manual review beginning October 31, 2022.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Reference Number:** 2021-009  
**Prior Year Finding:** 2020-003  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance  
**Assistance Listing Number:** 17.225  
**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)  
**Compliance Requirement:** Reporting – ETA 2208A – Quarterly UI Above-Base Report  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The ETA 2208A - Quarterly UI Above-Base Report must be submitted no later than 30 days after the end of each quarter.

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

**Condition:**

The Department of Labor and Workforce Development (Department) did not submit the quarterly ETA 2208A – Quarterly UI Above-Base Reports timely in accordance with the program’s reporting requirements.

**Context:**

One of two ETA 2208A reports selected for testing was not submitted by the due date. The December 31, 2020 quarterly report was originally due by January 30, 2021 and the Department was given an extension until 1/31/2021 but the report was not submitted until February 9, 2021.

**Questioned costs:**

None noted.

**Cause:**

The Department’s supervisory review and controls were not operating effectively to ensure the ETA 2208A reports were submitted timely.

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

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**Effect:**

The Department was not in compliance with the quarterly reporting requirements for the ETA 2208A report.

**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that the ETA 2208A – Quarterly UI Above-Base Reports are submitted timely each quarter.

**Views of responsible officials:**

The ETA 2208A report for the period ending December 31, 2020 was due for submission by January 31, 2021. During this time period the DLWD was experiencing similar working conditions as the prior fiscal year 2020 time period, which included limited access to the office building/facilities and staff outages due to the ongoing COVID-19 pandemic situation. The late filing of the December 2020 quarterly report on February 9, 2021 also occurred prior to the implementation of DLWD's prior year 2020 corrective action plan on June 30, 2021.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Reference Number:** 2021-010

**Prior Year Finding:** N/A

**Federal Agency:** U.S. Department of Labor

**State Agency:** Department of Labor and Workforce Development

**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance

**Assistance Listing Number:** 17.225

**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)

**Compliance Requirement:** Reporting – ETA 9050 and ETA 9052

**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The ETA 9050 – *Time Lapse of All First Payments except Workshare* report contains monthly information on first payment time lapse. This report concerns the time it takes states to pay benefits to claimants for the first compensable week of unemployment. First Payments are considered timely at 14/21 days, Interstate and Intrastate UI, UCFE, and UCX, full and partial weeks. The report is due in the ETA National Office on the 20th of the month following the month to which the data relates.

The ETA 9052 – *Nonmonetary Determination Time Lapse Detection* report contains monthly information on the time it take states to issue nonmonetary determinations from the date the issues are first detected by the agency. Single-claimant and multi-claimant nonmonetary determinations are included in the report. Nonmonetary determinations made by organizational units such as Benefits Accuracy Measurement (BAM) and Benefit Payment Control (BPC) are also included in the report. Nonmonetary determinations are considered timely if completed within 21 days. The report is due in the ETA National Office on the 20th of the month following the month to which the data relates.

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

**Condition:**

Reports submitted by the Department of Labor and Workforce Development (Department) indicate that First Payment Time Lapse and Nonmonetary Determinations were untimely during FY 2021.

**Context:**

Four ETA 9050 and four ETA 9055 reports were selected for testing for the months of August 2020, December 2020, February 2021 and March 2021. We noted the following exceptions:

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

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- ETA 9050: 4 of 4 reports indicate that First Payments were made in more than 14/21 days.
- ETA 9052: 4 of 4 reports indicate that nonmonetary determinations were completed in more than 21 days.

**Questioned costs:**

None noted.

**Cause:**

The Department's procedures and controls were not operating effectively to ensure that first payments and nonmonetary determinations were completed timely.

**Effect:**

First Payments and Nonmonetary Determinations were not completed timely as required by the program.

**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that it makes first payments within 14/21 days and that nonmonetary determinations are completed within 21 days per program requirements.

**Views of responsible officials:**

This new ETA reporting audit finding noted for the UI program is directly attributable to the massive volume of claims that were filed when businesses were shut down throughout the duration of the COVID-19 pandemic, and the fact that most of the claimants were brand new to the filing process. As a result, the DLWD was unable to meet the timeliness requirements during the FY 2021 audit period that directly coincided with the COVID-19 pandemic. This was a condition affecting all States and the USDOL has recognized this extremely rare situation and the difficulty it presented with complying with the timeliness requirements without penalty. DLWD expects this finding to be an isolated citation that will be corrected and come back into compliance under regular operating procedures now that the extraordinary volume created during the pandemic period has decreased significantly.

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

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**Reference Number:** 2021-011  
**Prior Year Finding:** 2020-004  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance  
**Assistance Listing Number:** 17.225  
**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)  
**Compliance Requirement:** Special Tests and Provisions - UI Benefit Payments  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The State Workforce Agency (SWA) is required by 20 CFR section 602.11(d) to operate and maintain a quality control system. The Benefits Accuracy Measurement (BAM) program is the Department of Labor's quality control system designed to assess the accuracy of UI benefit payments and denied claims, unless the SWA is excepted from such requirement (20 CFR section 602.22). The program estimates error rates, that is, numbers of claims improperly paid or denied and dollar amounts of benefits improperly paid or denied, by projecting the results from investigations of statistically sound random samples to the universe of all claims paid and denied in a state. Specifically, the SWA's BAM unit is required to draw a weekly sample of payments and denied claims, complete prompt, and in-depth investigations to determine if the administration of the UC program is consistent with state and federal law (20 CFR section 602.21(d)).

As presented in the ET Handbook No. 395, the investigation involves a review of state agency records, as well as contacting the claimant, employers, and third parties (either in-person, by telephone, or by fax) to conduct new and original fact-finding related to all of the information pertinent to the paid or denied claim that was sampled. BAM investigators review cases for adherence to federal and state law as well as official policy. The following time limits are established for completion of all cases for the year. (The "year" includes all batches of weeks ending in the calendar year.):

- a minimum of 70 percent of cases must be completed within 60 days of the week ending date of the batch;
- 95 percent of cases must be completed within 90 days of the week ending date of the batch;
- a minimum of 98 percent of cases for the year must be completed within 120 days of the ending date of the calendar year.

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

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

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the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Condition:**

The Department of Labor and Workforce Development (Department) did not complete BAM case investigations within the time limits established in ET Handbook No. 395.

**Context:**

Two of nine cases selected for testing were closed more than one year after they were selected for review. One case was initially assigned on 9/19/2020 and the other on 10/3/2020. Both cases were closed on 11/1/2021 which was 408 and 394 days, respectively, after date of initial assignment.

**Questioned costs:**

Undetermined.

**Cause:**

The investigators did not notify the supervisor timely that review of the cases had been completed and the BAM review should be closed. The BAM Unit supervisor noted that the unit has been overwhelmed due to the Pandemic and resulting staff shortages.

**Effect:**

Noncompliance with BAM case investigation time limits could delay the detection and correction of inaccurate benefit payments and denied claims.

**Recommendation:**

We recommend that the Department review and enhance procedures and controls to ensure that BAM case investigations are completed timely.

**Views of responsible officials:**

The Division of Unemployment Insurance (DUI) was able to hire six new BAM investigators effective July 2, 2022. Bringing on these new investigators will now staff the unit with 10 BAM investigators total. These new hires are currently being trained on the BAM process by more senior BAM staff. Some of the new hires are also new to the Unemployment Insurance (UI) program as a whole, so they will have to be trained on UI laws, policies and procedures in addition to learning how to score cases under BAM rules.

It is anticipated that these six new hires will be able to start working towards closing cases by the end of the 2022 calendar year. Expected increases to timely completion of case reviews is anticipated once these new hires complete their training and are able to independently work the BAM caseload.

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

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**Reference Number:** 2021-012  
**Prior Year Finding:** 2020-001  
**Federal Agency:** U.S. Department of Labor  
**State Agency:** Department of Labor and Workforce Development  
**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance  
**Assistance Listing Number:** 17.225  
**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)  
**Compliance Requirement:** Information Technology General Controls  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance

**Criteria or specific requirement:**

*Control:* Per 2 CFR section 200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). 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 Labor and Workforce Development (Department) did not maintain an effective control environment over change management of the New Jersey Local Office Online Payment System (NJLOOPS).

**Context:**

The NJLOOPS application is an essential system hosted within the Office of Information Technology’s (OIT) infrastructure used by the Department for unemployment insurance eligibility, claims, benefit calculations, and payments. NJLOOPS application management is provided by Department staff. We noted that the prior year finding for internal controls over change management were only partially corrected. Specifically, we noted that management did not maintain documentation around the testing and approval of system changes.

**Questioned costs:**

Undetermined.

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

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**Cause:**

Due to limitations on staffing and increased demand on information technology resources due to the additional requirements of the pandemic's unemployment program, the agency was unable to comply with its internal change management procedures requirements.

**Effect:**

Noncompliance with the requirements of internal change management procedures could increase the risk of potential unauthorized changes occurring to the application.

**Recommendation:**

We recommend the Department follow the statewide change management policy and formally document the request, testing, and approval of all changes related to the NJLOOPS application.

**Views of responsible officials:**

The Division of Information Technology (DIT) utilizes the Foot Prints system to document all change control requests made by program areas within the New Jersey Department of Labor. This system will be utilized to ensure that all system changes are documented including changes requested, programmatic work performed, testing, and approval of the effort for promotion to the Production environment. The Foot Prints system will document all actions taken, the signoffs by the application development staff, the testing efforts by quality assurance testing staff, and the sign off and approval to move the changes to the Production environment. In addition, the team will improve the documentation by using the attachment features within Foot Prints for the inclusion of relevant documents, notes emails, etc. associated with change control requests. This will ensure that all documentation is maintained around the testing and approval of system changes

The DLWD Change Management Policy and Procedure underwent its annual review during the summer of 2022 to ensure it was in compliance with the requirement and recommendations of the Statewide Information Security Manual (SISM)

Weekly Service Request review and Change Management meetings are also held by DIT.

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

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**Reference Number:** 2021-013

**Prior Year Finding:** N/A

**Federal Agency:** U.S. Department of Labor  
U.S. Department of Health and Human Services  
U.S. Department of Homeland Security

**State Agency:** Department of Treasury, Office of Management and Budget (OMB)

**Federal Program:** Unemployment Insurance, COVID-19 – Unemployment Insurance  
COVID-19 – Coronavirus Relief Fund  
Adoption Assistance  
COVID-19 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs

**Assistance Listing Number:** 17.225, 21.019, 93.659, 97.050

**Award Number and Year:** UI-35663-21-55-A-34 (10/1/2020 – 12/31/2023), UI-34510-20-60-A-34 (1/1/2020 – 9/30/2021), UI-35959-21-60-A-34 (1/1/2021 – 9/30/2022)  
SLT0007 (2020), SLT0228 (2020)  
2001NJADPT (10/1/2019 – 9/30/2020), 2101NJADPT (10/1/2020 – 9/30/2021)  
FEMA-DR-4488-NJ-SPLW (7/25/2020 – 3/27/2021)

**Compliance Requirement:** Reporting: Schedule of Expenditures of Federal Awards

**Type of Finding** Significant Deficiency in Internal Control Over Compliance

**Criteria or specific requirement:**

*Compliance:* Per 2 CFR 200 Section 510(b), the auditee must prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with Section 200.502. The schedule must list individual Federal programs by Federal agency and provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. It must also include the total amount provided to subrecipients from each Federal program. Per Section 502(g), Federal non-cash assistance, such as free rent, food commodities, donated property, or donated surplus property, must be valued at fair market value at the time of receipt or the assessed value provided by the Federal agency.

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

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

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**Condition:**

Errors were detected in the Schedule of Expenditures of Federal Awards (SEFA) submitted to auditors. Errors included reporting of expenditures for assistance listing 97.050 – Presidential Declared Disaster Assistance to Individuals and Households - Other Needs under 17.225 – Unemployment Insurance, the amounts passed through to subrecipients were significantly overstated for assistance listings 21.019 - Coronavirus Relief Fund and 93.659 - Adoption Assistance, and total expenditures reported for assistance listing 93.659 – Adoption Assistance were overstated.

**Context:**

When reconciling support to the SEFA submitted to auditors during test work, the following errors were detected:

1. Approximately \$1.4 billion for the program 97.050 - Presidential Declared Disaster Assistance to Individuals and Households - Other Needs was reported under assistance listing 17.225 – Unemployment Insurance. When properly reported under the correct assistance listing number, assistance listing 97.050 was determined to be a new Type A program.
2. The amount passed through to subrecipients was overstated for program 21.019 – Coronavirus Relief Fund. The amount passed through to subrecipients was reported as \$760.4 million but it was determined that \$71 million in payments to beneficiaries had been misclassified as subrecipient payments, resulting in an overstatement of 10.3%.
3. Under program 93.659 – Adoption Assistance, approximately \$1.4 million in Adoption Savings was incorrectly reported as an expenditure incurred in both total expenditures and the amount passed through to subrecipients. The amount passed through to subrecipients was overstated by 100% as it was determined that this reported amount should have been \$0.

**Questioned costs:**

Undetermined.

**Cause:**

Procedures and internal controls were not sufficient to ensure that expenditures reported on the SEFA and the amounts passed through to subrecipients, were complete and accurate. The State's SEFA is initially prepared by OMB using reports from the State's NJCFS accounting system. After compilation by OMB, preliminary SEFA expenditures are reviewed and confirmed by program administering State agencies and, when necessary, adjustment detail is submitted to OMB to be included in the final SEFA. Although program administering agencies reviewed and confirmed their respective programs to OMB, expenditures for assistance listings 17.225, and 97.050 were improperly reported. Further, the administering agency did not identify that it had incorrectly identified Adoption Savings as reportable expenditures under assistance listing 93.659.

**Effect:**

Federal expenditures were incorrectly reported on the SEFA submitted to auditors, effecting the initial determination of Type A and Type B programs. When the reporting errors were corrected, assistance listing 97.050 was determined to be a new Type A program. Subrecipient pass-through reporting errors for assistance listing 21.019 and 93.659 effected testing of subrecipient monitoring for the programs.

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

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**Recommendation:**

We recommend that OMB improve its SEFA compilation process to ensure that program expenditures and the amounts passed through to subrecipients reported on the State's SEFA are complete and accurate. Procedures and controls should include a process to identify programs that are new to the State and ensure they are properly reported on the SEFA.

We further recommend that OMB work with the State's agencies and departments to review and update their SEFA review and confirmation procedures to ensure that expenditure information they submit to OMB is accurate, that it includes all programs expended, and ties to detail expenditure transactions in the State's accounting system. They should also review and enhance procedures and controls to ensure that subrecipient payments are accurately reported.

**Views of responsible officials:**

The Office of Management and Budget (OMB) has revised its annual GN12/SEFA Confirmation Letter and instructions sent out to all State agencies for the FY 2022 audit engagement in response to this finding. The majority of these SEFA errors and misclassifications of expenditures are noted under brand new COVID-specific federal programs that the State received awards under after the pandemic began in March 2020. The newness and urgency of these COVID programs contributed to the errors made during the first year these programs were required to be reported on the SEFA. The pass-through to subrecipient expenditure misclassifications are directly attributable to the miscoding of the disbursements in NJCFS at time of payment by the disbursing agency and subsequent failure of those agencies to identify and report any adjustments to OMB that are needed to pass-through totals during the annual SEFA confirmation process. The pass-through language and instructions in the revised GN12/SEFA Confirmation Letter sent out for FY 2022 was strengthened and was also emphasized in the email message sent with the annual confirmation request. All State agencies were also advised to seek guidance or technical assistance from OMB in situations where they are unsure if an entity is a true subrecipient or a contractor/vendor for pass-through classification purposes. This is sometimes a difficult determination to make and OMB has provided guidance every year to agencies on this topic since 2012 in an effort to accurately and completely report pass-through expenditures on the SEFA. OMB will continue to look for ways to strengthen controls in this area and provide additional guidance to agencies charged with making these determinations.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Reference Number:** 2021-014  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Transportation  
**State Agency:** Department of Transportation  
**Federal Program:** Highway Planning and Construction Cluster  
**Assistance Listing Number:** 20.205, 20.219  
**Award Number and Year:** (2020-2021)  
**Compliance Requirement:** Special Tests and Provisions - Utilities  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* State Departments of Transportation (DOTs) are required to develop policies and procedures pertaining to the use, accommodation and/or relocation of public and private utility facilities on highway rights-of way using federal highway funds. State DOTs are required to develop, maintain, and obtain Federal Highway Administration (FHWA) approval of their Utility Accommodation Policy (UAP) (23 CFR section 645.215).

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

**Condition:**

The Department of Transportation (Department) did not receive FHWA approval of its UAP in effect for SFY 2021.

**Context:**

The Department followed its UAP during SFY 2021, but it had not been formally approved by FHWA.

**Questioned costs:**

Undetermined.

**Cause:**

The Department’s procedures and controls were not sufficient to ensure that it received FHWA approval of its UAP in a timely manner.

**Effect:**

The Department followed an unapproved UAP during the fiscal year.

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

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**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that it submits its UAP to FHWA so that it can be approved timely.

**Views of responsible officials:**

The New Jersey Department of Transportation (NJDOT) Utility Management unit will be working on updating its N.J.A.C Title 16 Chapter 25 Utility Accommodation Policy (UAP) that is currently in use under the program. The UAP policy's current expiration date is February 1, 2023. The UAP will be sent to FHWA for review once it has been updated and commented on by the utility industry. NJDOT's goal is to have the amended UAP completed and approved before the current policy's expiration date of February 1, 2023.

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

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**Reference Number:** 2021-015  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Human Services  
**Federal Program:** Aging Cluster, COVID-19 Aging Cluster  
**Assistance Listing Number:** 93.044, 93.045, 93.053  
**Award Number and Year:** 2001NJCMC2-00 (3/20/2020 – 9/30/2021)  
2101NJVAC5-00 (4/1/2021 – 9/30/2022)  
2001NJDHC2-00 (3/20/2020 – 9/30/2021)  
2101NJOASS-00 (10/1/2020 – 9/30/2022)  
2101NJOASS-01 (10/1/2020 – 9/30/2022)  
2101NJOANS-00 (10/1/2020 – 9/30/2022)  
2101NJDHC5-00 (12/27/2020 – 9/30/2022)  
2101NJSSC6-00 (4/1/2021 – 9/30/2024)  
2001NJOASS-03 (10/1/2019 – 9/30/2021)  
2001NJOANS-04 (10/1/2019 – 9/30/2021)  
**Compliance Requirement:** Reporting – Federal Funding Accountability and Transparency Act (FFATA)  
**Type of Finding:** Material Weakness in Internal Control Over Compliance, Material Non-compliance

**Criteria or specific requirement:**

*Compliance:* Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$30,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

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

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

**Condition:**

The Department of Human Services (Department) did not report subaward information to FSRS during FY 2021.

**Context:**

Zero of six subrecipients selected for testing were reported to FSRS during FY 2021. Total subawards tested were \$29,068,161, and \$0 was reported as required by FFATA requirements.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
6	6	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$29,078,161	\$29,078,161	\$0	\$0	\$0

**Cause:**

The Department was unaware of FFATA reporting requirements and did not report subaward information to FSRS during FY 2021.

**Effect:**

Subawards were not reported to FSRS in accordance with FFATA requirements.

**Questioned costs:**

None noted.

**Recommendation:**

We recommend that the Department develop internal controls and procedures to ensure that FFATA reporting requirements are met. We further recommend the Department develop controls and procedures to ensure that all required subawards are reported accurately and timely to FSRS no later than the end of the month following the month of issuance.

**Views of responsible officials:**

The Department of Human Services, Division of Aging Services (DoAS) will attain full compliance with Federal Funding Accountability and Transparency Act (FFATA) requirements. The DoAS will consult with the Department and/or other DHS Division fiscal leadership to develop its FFATA procedures. These procedures shall include creating a list of all active first-tier subawards of federal funds DoAS has issued at \$30,000 or more. The list will include all the data fields required for FFATA reporting. DoAS grants management members will ensure each of the identified subawards is entered on the Federal Subaward

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

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Reporting System (FSRS) website. DoAS will revise internal procedures to ensure all future subawards of \$30,000 or more are entered on FSRS within 30 days of award.

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

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**Reference Number:** 2021-016  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Health  
**Federal Program:** COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)  
**Assistance Listing Number:** 93.323  
**Award Number and Year:** 6NU50CK000525 (8/1/2019 – 7/31/2024)  
**Compliance Requirement:** Suspension and Debarment  
**Type of Finding:** Material Weakness in Internal Control Over Compliance

**Criteria or specific requirement:**

*Compliance:* Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. “Covered transactions” include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

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, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA), (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300).

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

**Condition:**

The Department of Health (Department) could not provide support that it ensured its vendors were not suspended or debarred before issuing contracts to the entity.

**Context:**

The suspension and debarment status for ten of eleven vendors was not documented.

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

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**Questioned costs:**

There are no questioned costs related to this finding as the vendors were not federally suspended or debarred.

**Cause:**

The Department did not establish effective internal controls for maintaining sufficient evidence that a suspension and debarment check was completed before issuing contracts to its vendors.

**Effect:**

If the suspension and debarment status of vendors is not verified when entering into covered transactions, it is possible that a contract could be issued to an ineligible vendor.

**Recommendation:**

We recommend the Department implement controls and procedures to ensure suspension and debarments checks are adequately documented and maintained in the vendor procurement files.

**Views of responsible officials:**

The Department of Health will update policy FMC 21-02 to include the search for any vendor suspensions and debarments on the federal System for Award Management (SAM) Exclusions website and will maintain a “screen print” of those results on file.

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

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**Reference Number:** 2021-017  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Health  
**Federal Program:** COVID-19 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)  
**Assistance Listing Number:** 93.323  
**Award Number and Year:** 6NU50CK000525 (8/1/2019 – 7/31/2024)  
**Compliance Requirement:** Reporting – Federal Funding Accountability and Transparency Act (FFATA)  
**Type of Finding:** Material Weakness in Internal Control Over Compliance, Material Non-compliance

**Criteria or specific requirement:**

*Compliance:* Per the Federal Funding Accountability and Transparency Act (FFATA), prime (direct) recipients of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS). Reports must be filed in FSRS by the end of the month following the month in which the prime recipient awards any sub-grant greater than or equal to \$30,000. If the initial award is below \$30,000 but subsequent grant modifications result in a total award equal to or over \$30,000, the award will be subject to the reporting requirements as of the date the award exceeds \$30,000. If the initial award equals or exceeds \$30,000 but funding is subsequently de-obligated such that the total award amount falls below \$30,000, the award continues to be subject to FFATA reporting requirements.

The following key data elements must be reported: Subawardee Name and Data Universal Numbering System (DUNS) number; Amount of Subaward (inclusive of modifications); Subaward Obligation/Action Date; Date of Report Submission; Subaward Number; Project Description; and Names and Compensation of Highly Compensated Officers. (Names and Compensation of Highly Compensated Officers must only be reported when the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$30,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986.)

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

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

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**Condition:**

Subaward information was not reported timely to FSRS by the Department of Health (Department) during FY 2021.

**Context:**

Eleven of thirteen subawards selected for testing were not reported timely to FSRS during FY 2021. Specifically, we noted the following:

- 4 subawards issued between 9/24/2020 and 12/30/2020 were reported on 7/1/2021 which was between 151 and 243 days late.
- 7 subawards issued between 12/29/2020 and 1/4/2021 were reported on 6/1/2022 which was between 460 and 486 days late.

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
13	0	11	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$3,376,028	\$0	\$1,768,459	\$0	\$0

**Cause:**

The Department’s internal controls were not sufficient to ensure that subawards were reported timely to FSRS during FY 2021.

**Effect:**

Subawards were not reported to FSRS in accordance with FFATA requirements.

**Questioned costs:**

None noted.

**Recommendation:**

We recommend that the Department develop internal controls and procedures to ensure that all required subawards are reported timely to FSRS no later than the end of the month following the month of issuance in accordance with FFATA reporting requirements.

**Views of responsible officials:**

The Department of Health (DOH) acknowledges that the subaward reports were not submitted timely during the current FY 2021 audit period, and that under normal circumstances, this oversight would be deemed an audit finding. However, based on our unique and historic circumstances during the said period, the DOH would like to appeal to the Good Faith exception for this finding under the Federal Funding Accountability and Transparency (FFATA) Act.

Under the Act, in the event that applicable subawards were not properly reported by a recipient, the auditor should evaluate compliance based on whether a recipient demonstrated a “good faith” effort to comply, evidenced by proper documentation. Moreover, under the FFATA Act, auditors are not required to report audit findings when there is evidence a recipient demonstrated a good faith effort.

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

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Please see the following link from the Federal Service Desk site: [Federal Service Desk: Q&A on Testing FFATA Reporting Compliance](#)

The DOH believes that we have taken numerous steps, in good faith, to comply with the requirements under the Act, as soon as we were made aware of this non-compliance. To start, the scope of the audit period was during the beginning and the height of the historic COVID-19 declared state of emergency. The ELC COVID Unit was newly created to handle a series of historic CDC funding awards (over \$1.5 billion), with varying funding requirements. The unit was made aware that a separate FFATA reporting was required for each cooperative agreement approximately two months prior to the current audit. However, upon notice, DOH reached out to our partners and established the necessary accounts/access requirements and contacted all the stakeholders. As such, through a sense of urgency among all staff, DOH was able to gather and submit all outstanding reports. Moreover, DOH has copied the auditor in our internal e-mail communications in our compliance efforts.

Moreover, our attempt to invoke the good faith exception under the Act has been unsuccessful during our subsequent meetings with the auditors. Specifically, the auditor claims that we have not provided sufficient documentation such as emails, as detailed in the Act; however, the Act references the emails only as one of two examples of good faith exceptions (indicated by “such as”), and therefore, it does not provide an exhaustive list of all exceptions. Therefore, we maintain our position as set forth above.

Moving forward, with awareness and newly created infrastructure, the DOH is committed to submitting timely FFATA reports. As such, the DOH respectfully requests that this oversight, which has since been cured, not be listed as an audit finding, as per the Good Faith exception under the Act. Thank you for your consideration.

**Rejoinder:**

General Service Administration (GSA) guidance states that demonstration of a “good faith” effort by a recipient should be evidenced by proper documentation such as:

- Emails or phone logs of communication between a recipient and the awarding agency or the General Services Administration
- Computer screen shots that illustrate recipient attempts to upload information into the FFATA Subaward Reporting System (FSRS)

The Department was unable to provide these types of documentation. We noted that seven of the eleven exceptions identified in the finding were not submitted to FSRS until after our request for testing support.

We believe the modified audit guidance issued by the GSA was primarily applicable to FY2011 single audits due to the newness of the FFATA reporting requirements and implementation challenges recipients had with the FFATA reporting process at that time. This guidance also notes that recipients are still required to comply with FFATA requirements in FY2012 and going forward. The Department was not in compliance with FFATA reporting requirements during FY2021 and it did not provide evidence of a “good faith effort” to comply.

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

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**Reference Number:** 2021-018  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Human Services  
**Federal Program:** Medicaid Cluster, COVID-19 – Medicaid Cluster  
**Assistance Listing Number:** 93.775, 93.777, 93.778  
**Award Number and Year:** 2105NJ5MAP (10/1/2020 – 9/30/2021), 2105NJ5ADM (10/1/2020 – 9/30/2021)  
**Compliance Requirement:** Reporting – CMS-64  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* The CMS-64 - *Quarterly Statement of Expenditures for the Medical Assistance Program* report must be submitted electronically to the Centers for Medicare and Medicaid Services (CMS) within 30 days after the end of each quarter.

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

**Condition:**

The Department of Human Services (Department) did not submit the 3/31/2021 quarterly report within 30 days as required by CMS.

**Context:**

One of two quarterly reports tested was filed after the 30 day due date. The 3/31/2021 quarterly report was due by 4/30/2021 but was not submitted by the Department until 5/7/2021. In addition, the original report included expenditures that exceeded the two-year timely filing limitation and CMS required the Department to revise and resubmit the report. The revised quarterly report was finalized on 5/27/2021.

**Questioned costs:**

None noted.

**Cause:**

The Department’s procedures and controls were not sufficient to ensure the CMS-64 report was submitted timely.

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

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**Effect:**

Delays in quarterly financial reporting to CMS could result in delays in the reconciliation of quarterly awards and possible penalties or sanctions imposed by the grantor.

**Recommendation:**

We recommend that the Department review its policies and procedures to ensure that the CMS-64 report is submitted timely each quarter.

**Views of responsible officials:**

During the audit engagement, the State informed the auditor that one of the CMS-64 forms was not available. The unavailable form is commonly known as the QI allotment form. The quarter ending March 31, 2021 report could not be filed on time because this form was not available on the Medicaid Budget & Expenditure System (MBES) until the very end of April and the State had to wait for it to be updated before it could enter data on this form.

In addition, the State did not receive its drug rebate reports in time to meet the 30-day deadline. The delay was caused by a recent file layout change mandated by CMS. The CMS Medicaid Drug Rebate unit (MDR) required that all States update their systems in order to accept the new format. The new CMS MDR file format required the State to make multiple system changes to its legacy mainframe system. When the live processing file was run, there were unexpected issues and errors that delayed the creation of the reports used for the CMS-64 drug rebate section. The State believes that the majority of the issues have now been identified and corrected in the mainframe.

The State was instructed to remove two claims from its March 31, 2021 submission because they were beyond two years old. However, the claims in question did not have a material value. During a routine review, the State discovered that a claim from 2017 was improperly reported on line 2B. The claim should have been reported on line 24D. The State attempted to reclassify the claims from line 2B to line 24D. The claims were offsetting decreasing and increasing adjustments of equal value that totaled zero. The CMS officer did not approve and we removed both the increasing and decreasing adjustments per his request. In the future, if the State discovers that a claim was reported on the wrong line of the CMS-64 report it will not attempt to correct the claim if it is beyond the two-year time limit.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**Section III – Federal Award Findings and Questioned Costs (Continued)**

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**Reference Number:** 2021-019  
**Prior Year Finding:** N/A  
**Federal Agency:** U.S. Department of Health and Human Services  
**State Agency:** Department of Human Services  
**Federal Program:** Medicaid Cluster, COVID-19 – Medicaid Cluster  
**Assistance Listing Number:** 93.775, 93.777, 93.778  
**Award Number and Year:** 2105NJ5MAP (10/1/2020 – 9/30/2021), 2105NJ5ADM (10/1/2020 – 9/30/2021)  
**Compliance Requirement:** Special Tests and Provisions: Managed Care Financial Audit  
**Type of Finding** Significant Deficiency in Internal Control Over Compliance, Other Matters

**Criteria or specific requirement:**

*Compliance:* Two types of audits are required for managed care:

1. Audited Financial Reports – The contract with each Managed Care Organization (MCO), Prepaid Inpatient Health Plan (PIHP), and Prepaid Ambulatory Health Plan (PAHP) must require them to submit to the state an audited financial report specific to the Medicaid contract on an annual basis. These audits must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards (42 CFR section 438.3(m)).
2. Periodic Audits – Effective no later than for rating periods for contracts starting on or after July 1, 2017, the state must periodically, but no less frequently than once every three years, conduct, or contract for an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of each MCO, PIHP, and PAHP and post the results of these audits on its website (42 CFR section 438.602(e) and (g); May 6, 2016, Federal Register (81 FR 27497); OMB No. 0938-0920).

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

**Condition:**

The Department of Human Services (Department) received audit reports from its MCOs, but these reports were Agreed Upon Procedures (AUP) reports which were not conducted in accordance with generally accepted accounting principles and generally accepted auditing standards.

**Context:**

Five of five MCO audit reports received by the Department were AUP reports. An AUP engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on subject matter. The client engages the practitioner to assist specified parties in evaluating subject matter or an assertion as a result of a need or needs of the specified parties.

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

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In an engagement performed under this section, the practitioner does not perform an examination or a review and does not provide an opinion or negative assurance. Therefore, AUP reports do not fulfill the requirement that the audit was conducted in accordance with generally accepted accounting principles and generally accepted auditing standards.

**Questioned costs:**

Undetermined.

**Cause:**

The Department held the opinion that AUP reports were sufficient to meet the requirement of obtaining a financial statement audit report per the flexibility given to States in Medicaid and CHIP Managed Care Final Rule (CMS-2390-F) Frequently Asked Question number Q10, dated November 10, 2016.

**Effect:**

The Department is unable to ensure that its MCOs were audited in accordance with generally accepted accounting principles and generally accepted auditing standards. Failure to obtain qualified audit reports from its MCOs would result in the Department being unaware of deficiencies, corrective action plans or unmet requirements which would be identified as a result of qualified audits.

**Recommendation:**

We recommend that the Department update its contracts with its MCOs to remove the language specifying the requirement for an audit conducted specifically in accordance with generally accepted accounting principles and generally accepted auditing standards and instead to specify that an AUP report is acceptable per guidance provided under Medicaid and CHIP Managed Care Final Rule (CMS-2390-F) Frequently Asked Question number Q10.

**Views of responsible officials:**

The Division of Medical Assistance and Health Services (DMAHS) will update the Managed Care contract removing the language specifying the requirement for an audit conducted under generally accepted accounting principles and revise it to reflect the current practice of accepting the AUP report, as acceptable within the flexibility outlined in the Managed Care Final Rule (CMS-2390-F) FAQ #10.

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

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<b>Reference Number:</b>	<b>2021-020</b>
<b>Prior Year Finding:</b>	2020-007
<b>Federal Agency:</b>	U.S. Department of Health and Human Services
<b>State Agency:</b>	Department of Human Services
<b>Federal Program:</b>	Medicaid Cluster, COVID-19 – Medicaid Cluster
<b>Assistance Listing Number:</b>	93.775, 93.777, 93.778
<b>Award Number and Year:</b>	2105NJ5MAP (10/1/2020 – 9/30/2021), 2105NJ5ADM (10/1/2020 – 9/30/2021)
<b>Compliance Requirement:</b>	Special Tests and Provisions: Provider Eligibility
<b>Type of Finding</b>	Material Weakness in Internal Control Over Compliance, Material Noncompliance

**Criteria or specific requirement:**

*Compliance:* In order to receive Medicaid payments, providers must: (1) be licensed in accordance with federal, state, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 1396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the state (42 CFR Part 455, Subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H. Providers who have been barred from participation by the Office of the Inspector General (OIG) exclusion list are not eligible to be enrolled in the Medicaid program. (See 42 CFR 455.436).

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

**Condition:**

The Department of Human Services (Department) did not maintain documentation to support provider eligibility to participate in the Medicaid program. The provider eligibility requirement is administered by a 3rd-party that is required to determine and document the provider’s eligibility with the Department’s requirements. Provider files were incomplete, containing expired licenses or missing key documentation supporting eligibility.

**Context:**

The Department contracts with a 3rd party provider to manage medical provider eligibility. The 3rd party provider is responsible for verifying providers’ license statuses and that providers meet health and safety standards.

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

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We noted that medical provider files maintained by the 3rd party contractor did not consistently support providers' eligibility and compliance with the State's health and safety standards in accordance with federal and state requirements. A sample of 60 provider files was selected for testing and the following exceptions were noted:

- 20 of 60 provider files did not have an active license on file. The provider license was either expired or missing altogether.
- 2 of 60 provider files did not contain the provider agreement checklist.

**Questioned costs:**

Undetermined.

**Cause:**

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

**Effect:**

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

**Recommendation:**

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

**Views of responsible officials:**

The State has attempted to access data files that would provide current licensure data to our contracted vendor that has not been available or obtainable from the State's licensing agencies. Continuing efforts to outreach providers by sending a license expiration letter to providers 45 days prior to the license expiration date have also been less than successful. Access concerns have discouraged State efforts to deny claims because of expired licenses. It is important to note that the State's expectations are that providers are properly licensed, but have failed to communicate this information to our contracted vendor. Licensure information for all enrolling providers and those subject to revalidation are screened in accordance with ACA requirements.

The contracted vendor's staff will be re-trained on the importance of having license information on file for the providers being enrolled. The vendor has also been approved to take screenshots of providers' licensing information from licensing websites in lieu of the provider sending in paper copies. These actions will help to ensure that licensing information is captured and maintained for each provider.