



**STATE OF NEW JERSEY**

Single Audit Report

Year ended June 30, 2006

Independent Auditors' Report on Schedule of Expenditures of Federal Awards

Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133

# STATE OF NEW JERSEY

Year ended June 30, 2006

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

The Governor  
State of New Jersey:

We have audited the accompanying Schedule of Expenditures of Federal Awards of the State of New Jersey (the Schedule) for the year ended June 30, 2006. This Schedule is the responsibility of the State of New Jersey's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

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

As described in note 2, the Schedule is prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the Schedule referred to above presents fairly, in all material respects, the expenditures of Federal awards of the State of New Jersey, as described above, for the year ended June 30, 2006 on the basis of accounting described in note 2.

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

**KPMG LLP**

June 29, 2007

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
	U.S. Department of Agriculture:		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 3,228	—
10.069	Conservation Reserve Program	166	100
10.153	Market News	1	—
10.156	Federal-State Marketing Improvement Program	87	81
10.163	Market Protection and Promotion	19	—
10.435	State Mediation Grants	1	—
10.450	Crop Insurance	261	—
10.475	Cooperative Agreements w/States for Intrastate Meat & Produce	46	—
10.500	Cooperative Extension Service	69	—
10.550	Food Donation (nonmonetary)	17,852	—
	<i>Food Stamp Cluster:</i>		
10.551	Food Stamps (nonmonetary)	461,975	—
10.561	State Administrative Matching Grants for Food Stamp Program	81,631	70,572
	Total Food Stamp Cluster	543,606	70,572
	<i>Child Nutrition Cluster:</i>		
10.553	School Breakfast Program	32,910	32,910
10.555	National School Lunch Program	140,703	140,703
10.556	Special Milk Program for Children	996	996
10.559	Summer Food Service Program for Children	6,912	6,645
10.559	Summer Food Service Program for Children (nonmonetary)	20	—
	Total Child Nutrition Cluster	181,541	181,254
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	91,799	16,371
10.558	Child and Adult Care Food Program	49,818	49,239
10.558	Child and Adult Care Food Program (nonmonetary)	165	—
10.560	State Administrative Expenses for Child Nutrition	2,819	—
	<i>Emergency Food Assistance Cluster:</i>		
10.568	Emergency Food Assistance Program (Administrative Costs)	1,529	1,144
10.569	Emergency Food Assistance Program (Food Commodities)	5,180	—
	Total Emergency Food Assistance Cluster	6,709	1,144
10.570	Nutrition Services for the Elderly (Commodities)	3,421	3,421
10.572	WIC Farmer's Market Nutrition Program (FMNP)	1,168	163
10.574	Team Nutrition Grants	140	55
10.576	Senior Farmers' Market Nutrition Program	601	—
10.652	Forestry Research	173	—
10.664	Cooperative Forestry Assistance	5,634	217
10.672	Rural Development Forestry and Communities	2	—
10.675	Urban and Community Forestry Program	4	—
10.677	Forest Land Enhancement Program (FLEP)	53	—
10.913	Farm and Ranch Lands Protection Program	3,323	3,323
10.914	Wildlife Habitat Incentive Program (WHIP)	1	—
	Total U.S. Department of Agriculture	912,707	325,940
	U.S. Department of Commerce:		
11.407	Interjurisdictional Fisheries Act of 1986	87	—
11.413	Fishery Products Inspection and Certification	187	—
11.419	Coastal Zone Management Administration Awards	5,212	69
11.441	Regional Fishery Management Councils	263	—
11.450	Automated Floor Warning Systems (AFWS)	44	38
11.452	Unallied Industry Projects	1	—
11.474	Atlantic Coastal Fisheries Cooperative Management Act	259	—
11.550	Public Telecommunications Facilities – Planning & Construction	311	—
11.UNA	Unassigned Catalog Number – NJ Marine Mammal & Sea Turtle	17	—
11.UNA	Unassigned Catalog Number – Mullica River Oyster Rest.	5	—
	Total U.S. Department of Commerce	6,386	107

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		Expenditures	Passed through to subrecipients
	U.S. Department of Defense:		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	\$ 17,417	—
12.UNA	Unassigned Catalog Number – NJ Coastal Heritage Program	1,759	—
	Total U.S. Department of Defense	19,176	—
	U.S. Department of Housing and Urban Development:		
14.228	Community Development Block Grants/State's Programs	7,220	6,852
14.231	Emergency Shelter Grants Program	807	670
14.235	Supportive Housing Program	735	53
14.238	Shelter Plus Care	1,012	—
14.239	HOME Investment Partnerships Program	12,281	5,632
14.240	Hope for Homeownership of Single Family Homes	229	229
14.241	Housing Opportunities for Persons with AIDS	2,081	—
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Woodbridge Township	1,493	1,389
14.241	Housing Opportunities for Persons with AIDS Pass-Through – Camden	383	356
14.241	Housing Opportunities for Persons with AIDS Pass-Through – City of Paterson	483	449
14.401	Fair Housing Assistance Program – State and Local	8	—
14.409	Fair Housing Initiatives Program (FHIP) Education & Outreach	30	—
	<i>Section 8 Project-Based Cluster:</i>		
14.856	Lower Income Housing Assistance Program: Section 8 Moderate Rehabilitation	11,673	137
	Total Section 8 Project-Based Cluster	11,673	137
	<i>Section 8 Cluster:</i>		
14.871	Section 8 Housing Choice Vouchers	163,504	181
	Total Section 8 Cluster	163,504	181
14.900	Lead-Based Paint Hazard Control in Privately Owned Housing	310	310
	Total U.S. Department of Housing and Urban Development	202,249	16,258
	U.S. Department of the Interior:		
15.308	Grants for Mining and Mineral Resources and Research Institute	59	—
	<i>Fish and Wildlife Cluster:</i>		
15.605	Sport Fish Restoration	3,278	—
15.611	Wildlife Restoration	1,041	—
	Total Fish and Wildlife Cluster	4,319	—
15.615	Cooperative Endangered Species Conservation Fund	729	—
15.616	Clean Vessel Act	321	281
15.622	Sportfishing and Boating Safety Act	1,513	—
15.625	Wildlife Conservation and Restoration	86	—
15.633	Landowner Incentive	233	112
15.634	State Wildlife Grants	148	—
15.809	National Spatial Data Infrastructure Cooperative Agreements Program	72	—
15.810	National Cooperative Geologic Mapping Program	206	—
15.904	Historic Preservation Fund Grants-in-aid	1,496	104
15.922	Native Americans Graves Protection & Repatriation Act	2	—
15.926	American Battlefield Protection	1	—
15.UNA	Unassigned Catalog Number	1	—
	Total U.S. Department of the Interior	9,186	497
	U.S. Department of Justice:		
16.202	Offender Reentry Program	587	12
16.203	Sex Offender Management Discretionary Grant	57	—
16.320	Services for Trafficking Victims	79	—
16.523	Juvenile Accountability Incentive Block Grants	3,010	2,608
16.540	Juvenile Justice and Delinquency Prevention: Allocation to States	2,870	2,283
16.542	Part D – Research, Evaluation, Technical Assistance and Training	133	—
16.543	Missing Children's Assistance	146	1

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
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(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
16.548	Title V: Delinquency Prevention Program.	\$ 72	61
16.549	Part-E: State Challenge Activities (Challenge Grants)	364	264
16.550	State Justice Statistics Program for Statistical Analysis Centers	50	—
16.554	National Criminal History Improvement Program (NCHIP)	799	23
16.564	Crime Lab Improvement Combined Offender DNA Index System	2,141	—
16.575	Crime Victim Assistance	14,430	11,863
16.576	Crime Victim Compensation	7,535	3,261
16.579	Edward Byrne Medical Formula Grant Program	6,555	3,032
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,722	—
16.585	Drug Court Discretionary Grant Program	185	—
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grant	157	115
16.588	Violence Against Women Formula Grants	3,283	2,310
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	122	—
16.592	Local Law Enforcement Block Grants Program	449	362
16.593	Residential Substance Abuse Treatment for State Prisoners (RSAT)	983	39
16.606	State Criminal Alien Assistance Program	3,491	—
16.607	Bulletproof Vest Partnership Program	98	—
16.609	Community Prosecution & Project Safe Neighborhoods	576	387
16.710	Public Safety Partnership and Community Policing Grants (COPS)	756	3
16.727	Enforcing Underage Drinking Laws Program	370	321
16.735	Prison Rape Elimination	210	—
16.738	Edward Byrne Memorial Justice Assistance Program	3,494	2,304
16.CON	Contractual Agreement – Domestic Marijuana Eradication	89	—
16.UNA	Unassigned Catalog Number – Federal Forfeiture Funds	737	—
	Total U.S. Department of Justice	55,550	29,249
	U.S. Department of Labor:		
17.002	Labor Force Statistics	2,603	—
17.005	Compensation and Working Conditions	272	—
17.203	Labor Certification for Alien Workers	707	—
	<i>Employment Services Cluster:</i>		
17.207	Employment Service	27,140	153
17.801	Disabled Veterans' Outreach Program	2,447	—
17.804	Local Veterans' Employment Representative Program	1,274	—
	Total Employment Services Cluster	30,861	153
17.225	Unemployment Insurance – Federal	133,893	61
17.225	Unemployment Insurance – State	1,828,479	—
17.235	Senior Community Service Employment Program	2,566	—
17.245	Trade Adjustment Assistance: Workers	2,169	1,760
	<i>WIA Cluster:</i>		
17.258	Workforce Investment Act-Adult Program	27,012	24,134
17.259	Workforce Investment Act-Youth Program	22,781	19,818
17.260	Workforce Investment Act-Dislocated Workers	32,608	22,631
	Total WIA Cluster	82,401	66,583
	<i>Migrant and Seasonal Farmworkers Cluster:</i>		
17.264	Migrant and Seasonal Farmworkers	1	—
	Total Migrant and Seasonal Farmworkers Cluster	1	—
17.266	Work Incentives Grant	214	193
17.503	Occupational Safety & Health – State Program	1,662	—
17.504	Consultation Agreements	1,830	—
17.600	Mine Health and Safety Grants	33	—
	Total U.S. Department of Labor	2,087,691	68,750
	U.S. Department of State:		
19.UNA	Unassigned Catalog Number – CSG/USAEP Water Quality Grant	2	—
	Total U.S. Department of State	2	—

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Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
20.106	U.S. Department of Transportation: Airport Improvement Program	\$ 5,119	6,536
	<i>Highway Planning and Construction Cluster:</i>		
20.205	Highway Planning and Construction	713,711	212,050
	Total Highway Planning and Construction Cluster	713,711	212,050
20.218	National Motor Carrier Safety	5,073	—
20.219	Recreational Trails Program	664	373
20.232	Commercial Driver License State Programs	401	—
20.505	Federal Transit: Metropolitan Planning Grants	4,245	—
	<i>Highway Safety Cluster:</i>		
20.600	State and Community Highway Safety	4,226	1,377
20.602	Motorcycle Helmets and Safety Belt Incentive Grant	1,191	1,111
20.604	Safety Incentive Grants For Use Of Seatbelts	866	845
20.605	Safety Incentive to Prevent Operation of MV by Intoxicated Persons	2,542	1,373
	Total Highway Safety Cluster	8,825	4,706
20.606	Child Passenger Protection	6	—
20.700	Pipeline Safety	56	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	213	73
20.CON	Contractual Agreements – Fatal Accidents Reporting System	158	—
20.UNA	Unassigned Catalog Number – Child Passenger Protection	154	129
20.UNA	Unassigned Catalog Number – Odometer Fraud	30	—
	Total U.S. Department of Transportation	738,655	223,867
21.UNA	U.S. Department of Treasury: Unassigned Catalog Number – Federal Forfeiture Funds	228	—
	Total U.S. Department of Treasury	228	—
30.002	Equal Employment Opportunity Commission: Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	722	—
	Total Equal Employment Opportunity Commission	722	—
39.011	General Services Administration: Election Reform Payments	1,654	—
	Total General Services Administration	1,654	—
45.025	National Foundation on the Arts and the Humanities: Promotion of the Arts: Partnership Agreements	624	279
45.026	Promotion of the Arts: Leadership Initiatives	30	30
	Total National Foundation on the Arts and the Humanities	654	309
64.005	U.S. Department of Veterans Affairs: Grants to States for Construction of State Home Facilities	3,627	—
64.024	VA Homeless Providers Grant and Per Diem Program	16,614	—
64.101	Burial Expense Allowance for Veterans	497	—
64.125	Vocational and Educational Counseling for Servicemembers and Veterans	382	—
64.203	State Cemetery Grants	3,572	—
	Total U.S. Department of Veterans Affairs	24,692	—
66.034	U.S. Environmental Protection Agency: Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to Clean Air Act	790	—
66.454	Water Quality Management Planning	407	140
66.458	Capitalization Grants for Clean Water State Revolving Funds	129,515	126,767
66.461	Regional Wetland Program Development Grants	158	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	14	—

**STATE OF NEW JERSEY**  
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Year ended June 30, 2006  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
66.468	Capitalization Grants for Drinking Water State Revolving Fund	\$ 14,290	11,028
66.471	State Grants to Reimburse Operators of Small Water Systems for Training & Certification Costs	26	—
66.472	Beach Monitoring & Notification Program Implementation Grant	316	256
66.474	Water Protection Grants to the States	45	—
66.480	Assessment and Watershed Protection Program Grants	7	—
66.500	Environmental Protection – Consolidated Research	61	—
66.511	Office of Research & Development Consolidated Research/Training	23	—
66.605	Performance Partnership Grants	15,754	2,425
66.606	Surveys, Studies, Investigations, and Special Purpose Grants	94	—
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	867	243
66.609	Protection of Children & Older Adults (Elderly) From Environmental Health Risks	23	23
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	9	—
66.706	Enhancement Grants for State Asbestos Programs	111	—
66.707	TSCA Title IV State Lead Grants: Certification of Lead-Based Paint Professionals	354	—
66.708	Pollution Prevention Grants Program	12	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	66	—
66.716	Surveys-Studies-Investigations-Demos-Education Outreach	1	—
66.717	Source Reduction Assistance	10	—
66.801	Hazardous Waste Management State Program Support	125	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site: Specific Cooperative Agreements	2,075	—
66.805	Leaking Underground Storage Tank Trust Fund Program	3,090	7
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	541	—
66.817	State and Tribal Response Program Grants	1,465	—
	Total U.S. Environmental Protection Agency	170,249	140,889
	U.S. Department of Energy:		
81.041	State Energy Program	1,356	313
81.042	Weatherization Assistance for Low-Income Persons	3,451	2,618
81.079	Regional Biomass Energy Program	31	—
81.086	Conservation Research and Development	31	31
	Outreach, Training, and Technical Analysis/Assistance		
81.118	Million Solar Roof Initiative	34	—
81.119	State Energy Program Special Projects	164	163
81.ADM	Administration Costs Consolidations	72	—
81.PRF	Petroleum Overcharge Reimbursement Funds	1	—
	Total U.S. Department of Energy	5,140	3,125
	U.S. Department of Education:		
84.002	Adult Education: State Grant Program	16,238	14,215
84.010	Title I Grants to Local Educational Agencies	238,198	234,707
84.011	Migrant Education: State Grant Program	2,179	2,126
84.013	Title I Program for Neglected and Delinquent Children	2,342	101
	<i>Special Education Cluster:</i>		
84.027	Special Education: Grants to States	331,434	312,903
84.173	Special Education – Preschool Grants	12,289	11,470
	Total Special Education Cluster	343,723	324,373
84.032	Federal Family Education Loans	1,136,008	—
84.048	Vocational Education: Basic Grants to States	23,503	20,384
84.069	Leveraging Educational Assistance Partnership	2,120	—
84.126	Rehabilitation Services: Vocational Rehabilitation Grants to States	56,449	23,993
84.169	Independent Living: State Grants	304	304
84.177	Rehabilitation Services: Independent Living Services for Older Individuals Who are Blind	932	932



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(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
84.181	Special Education: Grants for Infants and Families with Disabilities	\$ 13,123	10,683
84.184	Safe and Drug-Free Schools and Communities: National Programs	1,017	727
84.185	Byrd Honors Scholarships	1,146	(3)
84.186	Safe and Drug-Free Schools and Communities: State Grants	9,894	8,022
84.187	Supported Employment Services for Individuals with Severe Disabilities	1,022	1,022
84.196	Education for Homeless Children and Youth	1,373	1,182
84.213	Even Start: State Educational Agencies	4,442	4,190
84.215	Fund for the Improvement of Education	477	310
84.224	Assistive Technology	269	256
84.243	Tech-Prep Education	2,696	2,583
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit In-service Training	64	—
84.282	Charter Schools	3,241	3,147
84.287	Twenty-First Century Community Learning Centers	21,328	20,733
84.293	Foreign Language Assistance	60	—
84.298	State Grants for Innovative Programs	5,407	4,524
84.318	Education Technology State Grants	11,600	11,026
84.323	Special Education: State Personnel Development	1,347	690
84.326	Special Education: Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	37	—
84.330	Advanced Placement Program	667	278
84.331	Grants to States for Incarcerated Youth Offenders	620	—
84.332	Comprehensive School Reform Demonstration	6,216	5,909
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)	3,604	3,292
84.336	Teacher Quality Enhancement Grants	2,924	1,282
84.346	Vocational Education: Occupational and Employment Information State Grants	163	—
84.352	School Renovation Grants	74	74
84.357	Reading First State Program	19,058	17,313
84.358	Rural Education (REAP)	22	21
84.365	English Language Acquisition Grants	19,209	18,636
84.366	Mathematics and Science Partnerships	2,519	2,209
84.367	Improving Teacher Quality State Grants	59,132	57,119
84.369	Grants for State Assessments and Related Activities	8,321	730
84.938	Hurricane Education Recovery	374	374
84.CON	Contractual Agreements – National Assess Education Program	207	—
	Total U.S. Department of Education	2,023,649	797,464
	Election Assistance Commission:		
90.401	Help America Vote Act Requirements Payments	34,054	24,233
	Total Election Assistance Commission	34,054	24,233
	U.S. Department of Health and Human Services:		
93.003	Public Health and Social Services Emergency Fund	17,895	16,663
93.006	State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	25	—
93.041	Special Programs for the Aging: Title VII, Chapter 3: Programs for Prevention of Elder Abuse, Neglect, and Exploitation	153	50
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	437	96
93.043	Special Programs for the Aging: Title III, Part D: Disease Prevention and Health Promotion Services	691	690
	<i>Aging Cluster:</i>		
93.044	Special Programs for the Aging: Title III, Part B: Grants for Supportive Services and Senior Centers	11,726	11,726
93.045	Special Programs for the Aging: Title III, Part C: Nutrition Services	19,597	18,308
	Total Aging Cluster	31,323	30,034

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93.048	Special Programs for the Aging: Title IV & Title II Discretionary	\$ 144	75
93.051	Alzheimer's Disease Demonstration Grants to States	4	—
93.052	Nation Caregiver Support Program	5,309	5,033
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) - Burlington Partnership Act	505	456
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) - Third Party - OFBI - Samhsa Northrop Grumman	8	—
93.110	Maternal and Child Health Federal Consolidated Programs	193	20
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	4,257	2,705
93.116	Project Grants and Cooperative Agreements for Tuberculosis (nonmonetary)	259	—
93.127	Emergency Medical Services for Children	27	—
93.130	Primary Care Services: Resource Coordination and Development-Primary Care Offices	233	75
93.136	Injury Prevention and Control Research and State and Community Based Programs	437	5
93.142	NIEHS Hazardous Waste Worker Health and Safety Training	82	—
93.150	Projects for Assistance in Transition from Homelessness	1,942	1,866
93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth	2,154	1,903
93.161	Health Program for Toxic Substances and Disease Registry	155	—
93.165	Grants for State Loan Repayment	187	(119)
93.184	Disabilities Prevention	46	21
93.197	Childhood Lead Poisoning Prevention Projects: State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	1,148	702
93.204	Surveillance of Hazardous Substance Emergency Events	74	—
93.206	Human Health Studies-Applied Research & Development	21	—
93.217	Family Planning Services	3,196	2,604
93.230	Consolidated Knowledge Development & Application Program	183	—
93.234	Traumatic Brain Injury: State Demonstration Grant Program	48	46
93.235	Abstinence Education	853	734
93.238	Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	103	—
93.240	State Capacity Building	573	—
93.243	Substance Abuse and Mental Health Services: Projects of Regional and National Significance	166	—
93.251	Universal Newborn Hearing Screening	228	41
93.256	State Planning Grant-Healthcare Access for the Uninsured	180	—
93.262	Occupational Safety and Health Research Grants	368	—
93.262	Occupational Safety and Health Research Grants – University of Iowa Agreement	62	—
93.268	Immunization Grants	6,201	1,569
93.268	Immunization Grants (nonmonetary)	37,312	—
93.275	Substance Abuse and Mental Health Services: Access to Recovery	(33)	(255)
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance	36,993	15,203
93.283	Centers for Disease Control and Prevention: Investigations and Technical Assistance - Third Party - UMDNJ	143	—
93.393	Cancer Cause and Prevention Research	43	—
93.399	Cancer Control – Third Party – Sloan Kettering Cancer Center	41	—
93.556	Promoting Safe and Stable Families	6,043	6,043
93.558	Temporary Assistance for Needy Families	341,875	331,562
93.563	Child Support Enforcement	146,415	47,871
93.566	Refugee and Entrant Assistance: State Administered Programs	2,522	2,193
93.568	Low-Income Home Energy Assistance	100,137	88,650
93.569	Community Services Block Grant	15,398	14,430
93.571	Community Services Block Grant Formula and Discretionary Awards		
	Community Food and Nutrition Programs	91	91
	<i>Child Care Cluster:</i>		
93.575	Child Care and Development Block Grant	58,042	35,339
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	73,588	70,174
	Total Child Care Cluster	131,630	105,513

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
93.576	Refugee and Entrant Assistance: Discretionary Grants	\$ 1,395	1,317
93.585	Empowerment Zones Program	760	760
93.586	State Court Improvement Program	366	—
93.590	Community Based Child Abuse Prevention Grants	158	156
93.597	Grants to States for Access and Visitation Programs	245	—
93.599	Chafee Education and Training Vouchers Program (ETV)	1,115	1,115
93.600	Head Start	(28)	90
93.617	Voting Access for Individuals with Disabilities Grants to State	2	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	1,474	280
93.643	Children's Justice Grants to States	552	552
93.645	Child Welfare Services: State Grants	7,154	—
93.652	Adoption Opportunities	370	303
93.658	Foster Care - Title IV-E	64,488	(3,781)
93.659	Adoption Assistance	30,701	(3,550)
93.667	Social Services Block Grant	73,526	31,678
93.669	Child Abuse and Neglect State Grants	526	526
93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters: Grants to States and Indian Tribes	2,162	2,162
93.674	Chafee Foster Care Independence Program	2,512	2,526
93.767	State Children's Insurance Program	216,343	205,682
93.768	Medicaid Infrastructure Grants – To Support the Competitive Employment of People With Disabilities	178	—
	<i>Medicaid Cluster:</i>		
93.775	State Medicaid Fraud Control Units	2,853	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	9,850	—
93.778	Medical Assistance Program	4,805,587	3,469,581
	Total Medicaid Cluster	4,818,290	3,469,581
93.779	Centers For Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	2,635	756
93.786	State Pharmaceutical Assistance Programs	11,409	387
93.889	National Bioterrorism Hospital Preparedness Program	3,294	2,380
	<i>HIV Cluster:</i>		
93.914	HIV Emergency Relief Project Grants – Third Party – Philadelphia City Aids	2,028	—
	Total HIV Cluster	2,028	—
93.917	HIV Care Formula Grants	54,144	51,030
93.926	Healthy Start Initiative	477	350
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	240	—
93.940	HIV Prevention Activities: Health Department Based	13,066	7,375
93.941	HIV Demonstration, Research, Public, and Professional Education Projects	24	24
93.942	Research, Treatment, and Education Programs on Lyme Disease in the United States	286	286
93.944	Human Immunodeficiency Virus Acquired Immunodeficiency Virus Syndrome Surveillance	4,046	115
93.952	Trauma Care Systems Planning and Development	38	38
93.958	Block Grants for Community Mental Health Services	10,200	9,918
93.959	Block Grants for Prevention and Treatment of Substance Abuse	51,258	44,172
93.977	Preventive Health Services: Sexually Transmitted Diseases Control Grants	3,310	351
93.977	Preventative Health Services Sexually Transmitted Diseases Control Grants (nonmonetary)	577	—
93.982	Mental Health Disaster Assistance & Emergency Mental Health	33	33
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	440	64
93.991	Preventive Health and Health Services Block Grant	2,647	1,352

**STATE OF NEW JERSEY**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2006  
(Amounts in thousands)

Federal CFDA number	Federal agency/program title	Amounts	
		Expenditures	Passed through to subrecipients
93.994	Maternal and Child Health Services Block Grant to the States	\$ 17,502	10,896
93.CON	Contractual Agreement – Vital Statistics Grant	1,099	—
93.UNA	Unassigned Catalog Number – Federal Civil Monetary Penalties	77	—
	Total U.S. Department of Health and Human Services	6,299,599	4,515,494
	Corporation for National and Community Service:		
94.003	State Commissions	401	—
94.004	Learn and Serve America: School and Community Based Programs	497	242
94.006	AmeriCorps	2,580	1,964
94.007	Planning & Program Development Grants	47	—
94.009	Training & Technical Assistance	125	—
	<i>Foster Grandparents/Senior Companion Cluster:</i>		
94.011	Foster Grandparent Program	645	—
	Total Foster Grandparents/Senior Companion Cluster	645	—
	Total Corporation for National and Community Service	4,295	2,206
	Social Security Administration:		
	<i>Disability Insurance/SSI Cluster:</i>		
96.001	Social Security: Disability Insurance	47,541	330
	Total Disability Insurance/SSI Cluster	47,541	330
96.UNA	Unassigned Catalog Number	48	—
	Total Social Security Administration	47,589	330
	U.S. Department of Homeland Security:		
	<i>Homeland Security Cluster:</i>		
97.004	State Domestic Preparedness Equipment Support Program	46,181	32,519
97.067	Homeland Security Grant Program	14,931	4,878
	Total Homeland Security Grant Cluster	61,112	37,397
	<i>Urban Areas Security Cluster:</i>		
97.008	Urban Areas Security Initiative	23,828	8,129
	Total Urban Areas Security Cluster	23,828	8,129
97.012	Boating Safety Financial Assistance	296	—
97.017	Pre-Disaster Mitigation (PDM) Competitive Grants	27	—
97.023	Community Assistance Program – State Support Services Element	200	—
97.029	Flood Mitigation Assistance	44	42
97.032	Crisis Counseling	78	78
	<i>Public Assistance Grants:</i>		
97.036	Public Assistance Grants	5,232	4,487
	Total Public Assistance Grants	5,232	4,487
97.041	National Dam Safety Program	231	—
97.043	State Fire Training Systems Grant	9	—
97.044	Assistance to Firefighters Grants	96	—
97.047	Pre-Disaster Mitigation	298	—
97.056	Port Security Grant Program	1,145	—
97.070	Map Modernization Management Support	69	—
	Total U.S. Department of Homeland Security	92,665	50,133
	Totals	\$ 12,736,792	6,198,851

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

## STATE OF NEW JERSEY

### Notes to the Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

#### (1) Basis of Presentation

##### (a) *Reporting Entity*

The Schedule of Expenditures of Federal Awards (the Schedule) includes all Federal award programs administered by the State of New Jersey except for component units for the fiscal year ended June 30, 2006. The State of New Jersey financial reporting entity is described in note 1B of the State's basic financial statements. Accordingly, the accompanying Schedule presents the Federal awards programs administered by the State of New Jersey (the State), as defined above, for the year ended June 30, 2006.

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

The State of New Jersey administers the Federal Family Education Loan Program (FFELP). During the fiscal year ended June 30, 2006 new loans guaranteed amounted to approximately \$1,043,541,000, loans repurchased during the year amounted to approximately \$76,211,000, and administrative costs amounted to approximately \$16,256,000 and are included in the accompanying schedule. The principal outstanding for guaranteed loans at June 30, 2006 was \$3,978,121,000. The loans guaranteed under the FFELP in previous years are not included in the accompanying Schedule.

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

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

#### (2) Basis of Accounting

##### (a) *General*

The accompanying Schedule includes the Federal grant activity of the State of New Jersey and is presented on the cash basis of accounting, which is based on cash disbursements for the period.

##### (b) *Highway Planning and Construction Program*

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

##### (c) *Nonmonetary Federal Awards*

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

#### (3) Matching Costs

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

## **STATE OF NEW JERSEY**

### **Notes to the Schedule of Expenditures of Federal Awards**

**Year ended June 30, 2006**

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

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

#### **(5) Contingencies**

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

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



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**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control Over  
Compliance in Accordance with OMB Circular A-133**

The Governor  
State of New Jersey:

**Compliance**

We have audited the compliance of the State of New Jersey (the State) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended June 30, 2006, except those requirements discussed later in this paragraph. We did not audit the State's compliance with the eligibility compliance requirements applicable to CFDA 93.775, 93.777 and 93.778, Medicaid Cluster as described in the accompanying schedule of findings and questioned costs as item 06-7. The State's major Federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

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

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

## Qualifications

As identified in the following table and described in the accompanying schedule of findings and questioned costs, the State did not comply with certain compliance requirements that are applicable to its major Federal programs. Compliance with such requirements is necessary, in our opinion, for the State of New Jersey to comply with the requirements applicable to the identified major Federal programs.

Federal awarding agency	State administering agency	Federal program	Compliance requirement	Finding number
U.S. Department of Health and Human Services	Department of Human Services	Child Support Enforcement	Reporting	06-1
U.S. Department of Health and Human Services	Department of Human Services	Foster Care – Title-IV-E/ Adoption Assistance	Allowable costs	06-2
U.S. Department of Health and Human Services	Department of Human Services	Foster Care – Title-IV-E/ Adoption Assistance/ Social Services Block Grant	Allowable costs	06-3
U.S. Department of Health and Human Services	Department of Human Services	Low-Income Home Energy Assistance	Reporting	06-6
U.S. Department of Health and Human Services	Department of Human Services	State Children's Insurance Program	Reporting	06-8
U.S. Department of Health and Human Services	Department of Human Services	Social Services Block Grant	Allowable costs	06-9
U.S. Department of Education	Department of Human Services	Rehabilitation Services: Vocational Rehabilitation Grants to States	Eligibility	06-10
U.S. Department of Education	Department of Education	Title I Grants to Local Educational Agencies	Subrecipient monitoring	06-14
U.S. Department of Transportation	Department of Law and Public Safety	Highway Safety Cluster	Equipment	06-15
U.S. Department of Homeland Security	Department of Law and Public Safety	Public Assistance Grants	Reporting	06-16
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Allowable costs	06-18
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Cash management	06-20
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Activities allowed or unallowed/ Allowable costs/ Equipment/ Procurement	06-21
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Equipment	06-22
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Matching/ Reporting	06-23
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Reporting	06-25
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Reporting	06-26
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Subrecipient monitoring	06-27
U.S. Department of Homeland Security	Department of Law and Public Safety	Homeland Security Cluster	Special tests and provisions	06-28
U.S. Department of Homeland Security	Department of Law and Public Safety	Urban Areas Security Cluster	Allowable costs	06-29
U.S. Department of Homeland Security	Department of Law and Public Safety	Urban Areas Security Cluster	Activities allowed or unallowed/ Allowable costs/ Equipment/ Procurement	06-30
U.S. Department of Homeland Security	Department of Law and Public Safety	Urban Areas Security Cluster	Suspension and debarment	06-31
U.S. Department of Homeland Security	Department of Law and Public Safety	Urban Areas Security Cluster	Reporting	06-32
U.S. Department of Homeland Security	Department of Law and Public Safety	Urban Areas Security Cluster	Subrecipient monitoring	06-33
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act Requirements Payments	Activities allowed or unallowed/ Allowable costs	06-34



<b>Federal awarding agency</b>	<b>State administering agency</b>	<b>Federal program</b>	<b>Compliance requirement</b>	<b>Finding number</b>
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act Requirements Payments	Reporting	06-35
Election Assistance Commission	Department of Law and Public Safety	Help America Vote Act Requirements Payments	Subrecipient monitoring	06-36
U.S. Department of Energy	Department of Community Affairs	Weatherization Assistance for Low-Income Persons	Reporting	06-41
U.S. Department of Health and Human Services/ U.S. Department of Energy	Department of Community Affairs	Community Services Block Grant/ Weatherization Assistance for Low-Income Persons	Reporting	06-42
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Subrecipient monitoring	06-43
U.S. Department of Health and Human Services	Department of Community Affairs	Community Services Block Grant	Eligibility	06-44
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Activities allowed or unallowed/ Allowable costs	06-45
U.S. Department of Health and Human Services	Department of Community Affairs	Low-Income Home Energy Assistance	Subrecipient monitoring	06-46
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants/ Centers for Disease Control and Prevention - Investigations and Technical Assistance/ State Pharmaceutical Assistance Program/ HIV Care Formula Grants	Period of availability	06-47
U.S. Department of Health and Human Services	Department of Health and Senior Services	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Activities allowed or unallowed/ Allowable costs/ Period of availability/ Procurement	06-48
U.S. Department of Health and Human Services	Department of Health and Senior Services	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Equipment	06-49
U.S. Department of Health and Human Services	Department of Health and Senior Services	Immunization Grants	Activities allowed or unallowed/ Allowable costs/ Period of availability/ Procurement	06-50

In our opinion, except for the noncompliance described in the preceding table, and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State's compliance with the requirements discussed in the first paragraph, the State of New Jersey complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended June 30, 2006. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items: 06-4, 06-5, 06-11, 06-12, 06-13, 06-17, 06-19, 06-24, 06-37, 06-38, 06-39, and 06-40.

## Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major Federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items: 06-1, 06-2, 06-3, 06-4, 06-5, 06-6, 06-8, 06-9, 06-10, 06-11, 06-12, 06-14, 06-15, 06-16, 06-17, 06-18, 06-19, 06-20, 06-21, 06-22, 06-23, 06-24, 06-25, 06-26, 06-27, 06-28, 06-29, 06-30, 06-31, 06-32, 06-33, 06-34, 06-35, 06-36, 06-37, 06-38, 06-39, 06-40, 06-41, 06-42, 06-43, 06-44, 06-45, 06-46, 06-47, 06-48, 06-49, and 06-50.

A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items: 06-1, 06-2, 06-3, 06-6, 06-8, 06-9, 06-10, 06-14, 06-15, 06-16, 06-18, 06-20, 06-21, 06-22, 06-23, 06-25, 06-26, 06-27, 06-28, 06-29, 06-30, 06-31, 06-32, 06-33, 06-34, 06-35, 06-36, 06-41, 06-42, 06-43, 06-44, 06-45, 06-46, 06-47, 06-48, 06-49, and 06-50 to be material weaknesses.

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

KPMG LLP

June 29, 2007

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### (1) Summary of Auditors' Results

##### *Basic Financial Statements*

- (a) An unqualified opinion was issued by the State Auditor, State of New Jersey, on the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2006.
- (b) The audit by the State Auditor, State of New Jersey, disclosed no material weaknesses and no reportable conditions were reported in connection with the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2006.
- (c) The audit by the State Auditor, State of New Jersey disclosed no instances of noncompliance which are material to the basic financial statements of the State of New Jersey as of and for the year ended June 30, 2006.

##### *Single Audit*

- (d) This audit of Federal financial assistance disclosed material weaknesses and reportable conditions which were reported in connection with major Federal programs of the State of New Jersey for the year ended June 30, 2006.
- (e) A disclaimer of opinion was issued on the State of New Jersey's compliance with the eligibility requirements applicable to Medicaid Cluster. A qualified opinion was issued on the State of New Jersey's compliance with its major Federal programs for the year ended June 30, 2006, for Weatherization Assistance for Low-Income Persons, Title I Grants to Local Educational Agencies, Rehabilitation Services: Vocational Rehabilitation Grants to States, Help America Vote Act Requirements Payments, Immunization Grants, Centers for Disease Control and Prevention – Investigations and Technical Assistance, Child Support Enforcement, Low-Income Home Energy Assistance, Community Services Block Grant, Foster Care – Title IV-E, Adoption Assistance, Social Services Block Grant, State Children's Insurance Program, State Pharmaceutical Assistance Programs, HIV Care Formula Grants, Highway Safety Cluster, Urban Areas Security Cluster, Homeland Security Cluster, and Public Assistance Grants.
- (f) There were audit findings which are required to be reported under Section 510(a) of OMB Circular A-133 for the year ended June 30, 2006.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

- (g) The major Federal programs of the State of New Jersey for the year ended June 30, 2006 were as follows:

<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster	10.553	1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
		1NJ300304	10/1/05 - 9/30/06
	10.555	1NJ300304	10/1/02 - 9/30/03
		1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
	10.556	1NJ300304	10/1/05 - 9/30/06
		1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
	10.559	1NJ300304	10/1/05 - 9/30/06
		1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
Child and Adult Care Food Program	10.558	1NJ300304	10/1/03 - 9/30/04
		1NJ300304	10/1/04 - 9/30/05
		1NJ300304	10/1/05 - 9/30/06
		1NJ300304	10/1/00 - 9/30/01
		1NJ300304	10/1/01 - 9/30/02
		1NJ300304	10/1/02 - 9/30/03

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Food Stamps Cluster	10.551	12-35-344106	10/1/05 - 9/30/06
	10.561	12-35-344103	10/1/02 - 9/30/03
		12-35-344104	10/1/03 - 9/30/04
		12-35-344105	10/1/04 - 9/30/05
		12-35-344102	10/1/01 - 9/30/02
U.S. Department of Labor			
Employment Services Cluster	17.207	ES-12146-02-55	7/1/02 - 9/30/05
		ES-13069-03-55	7/1/03 - 9/30/06
		ES-14011-04-55	7/1/04 - 9/30/07
		ES-14884-05-55	7/1/05 - 9/30/08
	17.801, 17.804	E-9-5-2-5046	10/1/04 - 9/30/05
		E-9-5-3-5046	10/1/05 - 9/30/06
		E-9-5-4-5046	10/1/02 - 9/30/03
		E-9-5-5-5046	10/1/03 - 9/30/04
Unemployment Insurance	17.225	UI-12653-03-55	10/1/02 - 12/31/05
		UI-13562-04-55	10/1/03 - 12/31/06
		UI-14449-05-55	10/1/04 - 12/31/07
		UI-15135-06-55	10/1/05 - 12/31/08

**STATE OF NEW JERSEY**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Workforce Investment Act Cluster	17.258, 17.259, 17.260	AA-11266-01-50	7/1/01 - 6/30/04
		AA-12025-02-50	7/1/02 - 6/30/05
		AA-12940-03-50	7/1/03 - 6/30/06
		AA-13813-04-50	7/1/04 - 6/30/07
		AA-14690-05-55	7/1/05 - 6/30/08
U.S. Department of Transportation			
Highway Safety Cluster	20.600	06605NHTS402	10/1/04 - 9/30/05
		06606NHTS402	10/1/05 - 9/30/06
	20.602	06605NHTS405	10/1/04 - 9/30/05
		06606NHTS405	10/1/05 - 9/30/06
	20.604	06605NHTS157	10/1/04 - 9/30/05
		06606NHTS157	10/1/05 - 9/30/06
	20.605	06605FHWA163	10/1/04 - 9/30/05
		06606FHWA163	10/1/05 - 9/30/06
U.S. Department of Energy			
Weatherization Assistance for Low-Income Persons	81.042	DE-FG43-04R340650	4/1/04 - 3/31/05
		DE-FG43-04R340650	4/1/05 - 3/31/06
		DE-FG26-04R340650	4/1/06 - 3/31/07
		DE-FG43-97R340476	4/1/03 - 3/31/04

**STATE OF NEW JERSEY**

## Schedule of Findings and Questioned Costs

Year ended June 30, 2006

<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
<b>U.S. Department of Education</b>			
Title I Grants to Local Educational Agencies	84.010	S010A030030	7/1/03 - 9/30/04
		S010A040030	7/1/04 - 9/30/05
		S010A050030	7/1/05 - 9/30/06
Rehabilitation Services: Vocational Rehabilitation Grants to States	84.126	H126A030043	10/1/02 - 9/30/03
		H126A040043	10/1/03 - 9/30/04
		H126A050043	10/1/04 - 9/30/05
		H126A060043	10/1/05 - 9/30/06
Education Technology State Grants	84.318	S318X030030	7/1/03 - 9/30/04
		S318X040030	7/1/04 - 9/30/05
		S318X050030	7/1/05 - 9/30/06
Comprehensive School Reform Demonstration	84.332	S332A030031	7/1/03 - 9/30/04
		S332A040031	7/1/04 - 9/30/05
		S332A050031	7/1/05 - 9/30/06
Improving Teacher Quality State Grants	84.367	S367A030029	7/1/03 - 9/30/04
		S367A040029	7/1/04 - 9/30/05
		S367A050029	7/1/05 - 9/30/06
		S367B030029	7/1/03 - 9/30/04
		S367B040029	7/1/04 - 9/30/05
		S367B050029	7/1/05 - 9/30/06

# STATE OF NEW JERSEY

## Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Election Assistance Commission			
Help America Vote Act Requirements Payments	90.401	N/A - State Plan only	N/A - State Plan only
		N/A - State Plan only	N/A - State Plan only
		N/A - State Plan only	N/A - State Plan only
U.S. Department of Health & Human Services			
Immunization Grants	93.268	H23/ CCH 204474	1/1/02 - 12/31/02
		H23/ CCH 222578	1/1/04 - 12/31/04
		H23/ CCH 222576	1/1/05 - 12/31/05
		H23/ CCH222576	1/1/06 - 12/31/06
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	U 90/ CCU 217004	8/31/00 - 8/30/01
		U 90/ CCU 217004	8/31/03 - 8/30/04
		U 90/ CCU 217004	8/31/04 - 8/30/05
		U 90/ CCU 217004	8/31/05 - 8/30/06
Temporary Assistance for Needy Families	93.558	G0001NJTANF	10/1/99 - 9/30/01
		G0101NJTANF	10/1/00 - 9/30/02
		G0201NJTANF	10/1/01 - 9/30/03
		G0301NJTANF	10/1/02 - 9/30/04
		G0401NJTANF	10/1/03 - 9/30/05
		G0501NJTANF	10/1/04 - 9/30/06
		G0601NJTANF	10/1/05 - 9/30/07



**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
Child Support Enforcement	93.563	G0304NJ4004	10/1/02 - 9/30/04
		G0404NJ4004	10/1/03 - 9/30/05
		G0504NJ4004	10/1/04 - 9/30/06
		G0604NJ4004	10/1/05 - 9/30/07
		G0004NJ4004	10/1/99 - 9/30/01
		G0104NJ4004	10/1/00 - 9/30/02
		G0204NJ4004	10/1/01 - 9/30/03
Low-Income Home Energy Assistance	93.568	G02B1NJLIEA	10/1/01 - 9/30/03
		G04B1NJLIEA	10/1/03 - 9/30/05
		G05B1NJLIEA	10/1/04 - 9/30/06
		G06B1NJLIEA	10/1/05 - 9/30/07
Community Services Block Grant	93.569	G-04B1NJCOSR	10/1/03 - 9/30/04
		G-05B1NJCOSR	10/1/04 - 9/30/05
		G-06B1NJCOSR	10/1/05 - 9/30/06
Child Care Cluster	93.575	G0401NJCCD2	10/1/03 - 9/30/05
		G0501NJCCD2	10/1/04 - 9/30/06
		G0601NJCCD2	10/1/05 - 9/30/07
	93.596	G0301NJCCDA	10/1/02 - 9/30/04
		G0401NJCCDA	10/1/03 - 9/30/05
		G0501NJCCDA	10/1/04 - 9/30/06
		G0501NJCCDA	10/1/05 - 9/30/07

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

<b>Major Program/Cluster</b>	<b>CFDA Number</b>	<b>Federal Award Number</b>	<b>Federal Award Period</b>
Foster Care - Title IV-E	93.658	G0501NJ1401	10/1/04 - 9/30/06
		G0601NJ1401	10/1/05 - 9/30/07
		G0401NJ1401	10/1/03 - 9/30/05
Adoption Assistance	93.659	G0501NJ1407	10/1/04 - 9/30/06
		G0601NJ1407	10/1/05 - 9/30/07
		G0401NJ1407	10/1/03 - 9/30/05
Social Services Block Grant	93.667	G0201NJSOSR	10/1/01 - 9/30/03
		G0401NJSOSR	10/1/03 - 9/30/05
		G0501NJSOSR	10/1/04 - 9/30/06
		G0601NJSOSR	10/1/05 - 9/30/07
State Children's Insurance Program	93.767	050405NJ5021	7/1/03 - 6/30/05
		050505NJ5021	7/1/04 - 6/30/06
		050605NJ5021	7/1/05 - 6/30/07
Medicaid Cluster	93.775, 93.777, 93.778	050305NJ5028	7/1/02 - 6/30/04
		050405NJ5028	7/1/03 - 6/30/05
		050505NJ5028	7/1/04 - 6/30/06
		050605NJ5028	7/1/05 - 6/30/07
		050305NJ5048	7/1/02 - 6/30/04
		050405NJ5048	7/1/03 - 6/30/05
		050505NJ5048	7/1/04 - 6/30/06
		050605NJ5048	7/1/05 - 6/30/07

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
State Pharmaceutical Assistance Programs	93.786	Approp #7550516	10/1/04 - 9/30/05
		Approp #7560516	10/1/05 - 9/30/06
HIV Care Formula Grants	93.917	6 X 07 HA 00017	4/1/03 - 3/31/04
		6 X 07 HA 00017	4/1/04 - 3/31/05
		6 X 07 HA 00017	4/1/05 - 3/31/06
		6 X 07 HA 00017	4/1/06 - 3/31/07
Social Security Administration			
Disability Insurance/SSI Cluster	96.001	04 - 0204NJDI00	10/1/01 - 9/30/04
		04 - 0304NJDI00	10/1/02 - 9/30/05
		04 - 0404NJDI00	10/1/03 - 9/30/06
		04 - 0504NJDI00	10/1/04 - 9/30/07
		04 - 0604NJDI00	10/1/05 - 9/30/08
U.S. Department of Homeland Security			
Homeland Security Cluster	97.004	2002-TE-CX-0060	3/28/02 - 9/30/05
		2002-TE-CX-0105	10/1/02 - 6/30/05
		2004-GET-40043	12/1/03 - 5/31/07
		2000-TE-CX-0192	3/24/00-3/23/04
	97.067	2005-GET-50047	10/1/04 - 3/31/08
		2000-TE-CX-0192	3/24/00 - 3/23/04
		2002-TE-CX-0060	3/28/02 - 9/30/05
		2003-MU-T3-0006	5/1/03 - 4/30/06
		2003-TE-TX-0610	4/1/03 - 3/31/06

# STATE OF NEW JERSEY

## Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Major Program/Cluster	CFDA Number	Federal Award Number	Federal Award Period
Urban Areas Security Cluster	97.008	04-TUT-40021	12/1/3 - 5/31/07
		2005-GET-50050	10/1/04 - 3/31/08
Public Assistance Grants	97.036	DR 973	7/1/93 - 7/31/06
		DR 1145	11/19/96 - 6/30/06
		DR 1206	3/3/98 - 12/31/05
		DR 1295	9/19/99 - 12/31/07
		DR 1337	8/17/00 - 12/31/07
		EM 3169	9/11/01 - 12/31/07
		EM 3181	12/16/03 - 12/31/07
		EM 3188	8/14/03 - 12/31/07
		DR 1530	7/12/04 - 12/31/07

(h) The dollar threshold used to distinguish between type A and type B programs was \$30,000,000 for Federal awards for the year ended June 30, 2006.

(i) The State of New Jersey did not qualify as a low risk auditee for the year ended June 30, 2006.

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

None were reported by the State Auditor, State of New Jersey.

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

See appendix of findings items 06-1 to 06-50.

## **APPENDIX OF FINDINGS**

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Child Support Enforcement (93.563)**

**State Agency: Department of Human Services**

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

**Finding: 06-1**

**Criteria**

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

**Condition**

The information used to compile the OCSE 34A Child Support Enforcement Program Quarterly Report of Collections is collected from the Automated Child Support Enforcement (ACSES) system. The Department of Human Services prepares monthly and quarterly reconciliations to compare the collections and distributions for the month and the quarter from the OCSE 34A report to the child support bank accounts. After preparation of reconciliations there are remaining unreconcilable differences, which vary on a monthly and quarterly basis from approximately \$340 thousand to \$5.8 million. The Department of Human Services identified possible general reasons for the differences which can not be substantiated.

A similar finding was included in the 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 05-7, 04-18, 03-7, 02-6, 01-6, and 00-30, respectively.

**Cause**

The transaction volume in ACSES and the child support bank accounts is very large and many transactions have additional information, which cannot be captured through the manual reconciliation process. There are no specific system produced reports addressing all reconciling items. The Department expects the unexplained differences will continue until the re engineering of ACSES is completed.

**Effect**

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

**Recommendation**

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

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**State Agency: Department of Human Services**

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

**Finding: 06-2**

**Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

**Condition**

Supporting documentation for nine out of thirty timesheets indicated employees were not working in the cost center indicated on the cost allocation plan.



**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

Total salaries allocated per the Division of Youth and Family Services cost allocation plan from which the sample was drawn were \$146,120,461 and the salary costs related to the nine timesheets were \$123,690. Total salary costs included in the sample were \$341,739.

A similar finding was included in the 2005 and 2004 prior year single audit reports as items 05-9 and 04-9, respectively.

**Cause**

There is a lack of controls regarding the appropriate completion of the cost allocation plan.

**Effect**

Personal service expenditures were not accurately allocated in the cost allocation plan.

**Recommendation**

We recommend that the Department use supporting schedules with employees' proper cost center codes when completing the cost allocation plan.

**Related Noncompliance**

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

**Questioned Costs**

\$123,690

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

**State Agency: Department of Human Services**

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

**Finding: 06-3**

**Criteria**

*a. Basic Guidelines*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

*b. Selected Items of Cost*

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (1) Sections 1 through 43 of A-87, Attachment B, provide the principles to be applied in establishing the allowability or unallowability of certain items of cost. (For a listing of costs, refer to Exhibit 1 of this part of the Supplement.) These principles apply whether a cost is treated as direct or indirect. Failure to mention a particular item of cost in this section of A-87 is not intended to imply that it is either allowable or unallowable; rather, determination of allowability in each case should be based on the treatment or standards provided for similar or related items of cost.
- (2) A cost is allowable for Federal reimbursement only to the extent of benefits received by Federal awards and its conformance with the general policies and principles stated in A-87, Attachment A.

#### *c. Submission Requirements*

- (1) Unlike most State/local-wide central service CAPs and ICRPs, an annual submission of the public assistance CAP is not required. Once a public assistance CAP is approved, State public assistance agencies are required to promptly submit amendments to the plan if any of the following events occur (45 CFR Section 95.509):
  - (a) The procedures shown in the existing cost allocation plan become outdated because of organizational changes, changes to the Federal law or regulations, or significant changes in the program levels, affecting the validity of the approved cost allocation procedures.
  - (b) A material defect is discovered in the cost allocation plan.
  - (c) The State plan for public assistance programs is amended so as to affect the allocation of costs.
  - (d) Other changes occur which make the allocation basis or procedures in the approved cost allocation plan invalid.

The amendments must be submitted to HHS for review and approval.

*d. Documentation Requirements* - A State must claim Federal financial participation for costs associated with a program only in accordance with its approved cost allocation plan. The public assistance CAP requirements are contained in 45 CFR Section 95.507.

*e. Implementation of Approved Public Assistance CAPs* - Since public assistance CAPs are of a narrative nature, the Federal Government needs assurance that the cost allocation plan has been implemented as approved. This is accomplished by funding agencies' reviews, single audits, or audits conducted by the cognizant audit agency (A-87, Attachment D, Section E paragraph 1).

#### **Condition**

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

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

During our testwork over the Division of Youth and Family Services (DYFS) CAPs for the quarters ending March 31, 2006 and June 30, 2006, we noted several instances in which the staff counts used to allocate salaries amongst the various functions within the CAPs were inaccurate. We also noted that amounts for training hours on the June 30, 2006 DYFS CAP were the actual amounts from the March 31, 2006 DYFS CAP and were not updated for the current quarter.

We also noted that there was a formula error in the electronic DYFS CAP files that did not properly link all applicable line items from the CAP Schedules A and B to the CAP Summary. The DYFS CAP Summaries for the two quarters tested, March 31, 2006 and June 30, 2006, were understated by \$39,560 and \$44,369, respectively.

The total costs charged per the DYFS CAPs for the quarters ended March 31, 2006 and June 30, 2006 were \$240,543,555 and \$233,434,905. Total costs charged for salaries and fringe benefits for the same quarters ended were \$86,088,632 and \$104,116,372, respectively.

#### **Cause**

There were manual and formula errors in the preparation of the DYFS CAPs that were not detected during the review process.

#### **Effect**

Personal service expenditures were not accurately allocated in the cost allocation plan. Additionally, the amounts per the CAP Schedules A and B did not agree to the CAP Summary.

#### **Recommendation**

We recommend that the Department ensure supporting expenditure schedules are properly entered into the cost allocation plan and that all amounts are reviewed and verified prior to submission.

#### **Related Noncompliance**

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

#### **Questioned Costs**

Cannot be determined.

#### **View of Responsible Official**

See management's corrective action plan.

# **STATE OF NEW JERSEY**

## **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

### **Foster Care – Title IV-E (93.658)**

#### **State Agency: Department of Human Services**

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

#### **Finding: 06-4**

##### **Criteria**

Equipment that is capitalized and depreciated or is claimed in the period acquired and charged to more than one program is subject to 45 CFR Section 95.707 (b) in lieu of the requirements of the A-102 Common Rule. This section indicates that the State agency is responsible for adequately managing the equipment, maintaining records of the equipment, and taking periodic physical inventories. The following requirements apply to the disposition of this equipment:

1. If the cost of the equipment was claimed in the period acquired and the equipment is later sold, the proceeds of the sale shall be credited to current expenditures in approximate proportion to the distribution of the equipment's cost.
2. If the cost of the equipment was claimed in the period acquired and the equipment is later transferred to an activity which is not involved in the performance of programs currently or previously funded by the Federal Government, an amount equal to the fair market value of the equipment on the date of the transfer shall be credited to current expenditures in approximate proportion to the distribution of the equipment's costs.
3. If the cost of the equipment was claimed in the period acquired and the equipment is later traded in on other equipment claims for Federal financial participation in the costs of replacement equipment shall be limited to the additional outlay.
4. If the equipment was depreciated, any gain or loss on the disposition of the equipment shall be treated as a decrease or an increase to the depreciation expense of the period in which the disposition takes place. This provision does not apply to equipment whose costs were claimed for Federal financial participation through use allowances.

Per State Circular 91-32-OMB, those items of equipment with an original cost of \$1,000 or more and an expected useful life of three (3) years or more must be maintained on an equipment inventory record. The minimum description of the equipment should include the following information:

1. Description of equipment (type of item, brand name, serial number, etc.)
2. Acquisition date
3. Cost (purchase price)
4. Inventory number (decal, stencil, or sequentially numbered tags for control)
5. Location (address of building, building name, etc.)
6. Organization unit charged with custody

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

7. Source of the monies from which equipment was acquired (General State Funds, Federal grants, Special Revenue Funds, etc.)

#### **Condition**

The Department of Human Services, Division of Youth and Family Services provided the detailed equipment inventory for computer equipment. However, the inventory listings were not in compliance with State Circular 91-32-OMB because they did not include the acquisition date, cost, and source of monies from which the equipment was acquired.

Because these listings do not include cost and source of monies, we were unable to determine which of these items had been acquired with Federal funds. Additionally, inventory listings cannot be reconciled with financial records.

Total equipment purchased for fiscal year was \$13,659,440.

A similar finding was included in the 2005 prior year single audit report as item 05-21.

#### **Cause**

Listings are maintained primarily for inventory control purposes.

#### **Effect**

The Department of Human Services, Division of Youth and Family Services may be responsible for reimbursing the Federal Government for proceeds from the sale of equipment that was paid in part by Federal funds.

#### **Recommendation**

We recommend that the Division maintain its inventory records in accordance with State Circular 91-32-OMB.

#### **Related Noncompliance**

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

#### **Questioned Costs**

Cannot be determined.

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Food Stamps Cluster (10.551, 10.561)**

**State Agency: Department of Human Services**

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

#### **Finding: 06-5**

##### **Criteria**

##### *EBT Reconciliation*

States that use EBT must have systems in place to reconcile all of the funds entering into, exiting from, and remaining in the system each day with the State's benefit account with Treasury and EBT contractor records. This includes a reconciliation of the State's issuance files of postings to recipient accounts with the EBT contractor. States (generally through the EBT contractor that operates the EBT system) must also have systems in place to reconcile retailer credit activity as reported into the banking system to client transactions maintained by the processor and to the funds drawn down from the EBT benefit account with Treasury. States' EBT system processors should maintain audit trails that document the cycle of client transactions from posting to point-of-sale transactions at retailers through settlement of retailer credits. The financial and management data that comes from the EBT processor is reconciled by the State to the Food Stamp Program issuance files and settlement data to ensure that benefits are authorized by the State and funds have been properly drawn down. States may only draw Federal funds for authorized transactions, i.e., on-line purchases supported by entry of a valid personal identification number (PIN) or purchases using manual vouchers with telephone verification supported by a client signature and an EBT contractor authorization number (7 CFR Sections 274.12(a), 274.12(g)(1) and 274.12(j)(1)).

##### **Condition**

On a monthly basis, the Department of Human Services, Division of Family Development (DFD) Financial Reporting Unit prints the benefit payments report by county. The amounts are input into an excel sheet and at the end of a twelve-month period, a summary report is generated for all twenty-one counties. The total benefits issued by county are then reported to Office of Management and Budget, New Jersey Department of Treasury (NJOMB) as a nonmonetary amount to be included on the Schedule of Expenditures of Federal Awards for the Food Stamps cluster.

DFD incorrectly reported to NJOMB the total benefits issued for the Food Stamps cluster for two counties by \$300,000 and \$10,000 for the respective counties. This error was not detected through the formal review process. The gross benefits amount originally reported to NJOMB was \$461,664,536. The actual benefits amount issued for all counties was \$461,974,536, which was reflected in the Schedule of Expenditures of Federal Awards.

##### **Cause**

The Department used incorrect information in its nonmonetary reporting process to NJOMB which was not detected through the formal review process.

##### **Effect**

The Department incorrectly calculated the total benefits issued for the Food Stamps cluster.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Recommendation**

We recommend that the Department enhance its review procedures to ensure accurate information is reported to NJOMB.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Low-Income Home Energy Assistance (93.568)**

**State Agency: Department of Human Services**

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

**Finding: 06-6**

**Criteria**

*Annual Report on Households Assisted by LIHEAP (OMB No. 0970-0060)* - As part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households assisted for each component (heating, cooling, crisis, and weatherization), (2) the number of households served that contained young children, elderly, or persons with disabilities, and (3) the number and income levels of households applying for assistance. (42 USC 8629; 45 CFR Section 96.82).

**Condition**

The State could not provide supporting documentation, including lists of households included in each category, for the LIHEAP Annual Report.

A similar finding was included in the 2005 prior year single audit report as item 05-2.

**Cause**

The LIHEAP Annual Report is generated directly from the eligibility determination system. Although the State has procedures in place to review the report for reasonableness at a high level, it does not receive or maintain detailed supporting documentation for each category as generated by the system.

**Effect**

The information contained in the LIHEAP Annual Report is not supported adequately.

**Recommendation**

We recommend that the Department retain detailed supporting documentation for the LIHEAP Annual Report and develop procedures to validate this supporting documentation against case records on a test basis to ensure that households are being categorized correctly.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Medicaid Cluster (93.775, 93.777, 93.778)**

**State Agency: Department of Human Services**

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

**Finding: 06-7**

#### **Criteria**

##### ***Medical Assistance Compliance Requirements:***

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR Section 431.10).

Medicaid Eligibility Quality Control (MEQC) Function – States are required to operate a MEQC system in accordance with requirements established by Centers for Medicaid and Medicare Services (CMS). The MEQC system redetermines eligibility for individual sample cases of beneficiary eligibility made by State Medicaid agencies, or their designees. Statistical sampling methods are used to select claims for review and project the number and dollar impact of incorrect payments to ineligible beneficiaries (42 USC 1396b; 42 CFR Sections 431.800 through 431.865)).

##### ***Split Eligibility Determination Functions Compliance Requirement:***

Some non-Federal entities pay the Federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a State arranges with local government social services agencies to perform the “intake function” (e.g., the meeting with the social services client to determine income and categorical eligibility) while the State maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. The State is fully responsible for Federal compliance for the eligibility determination as the benefits are paid by the State and State shows the benefits paid as Federal awards expended on the State’s Schedule of Expenditures of Federal Awards.

#### **Condition**

The State has delegated some Medical Assistance Program eligibility determination to the State’s 21 county welfare agencies. The State maintains the computer system (Family Assistance Management Information System (FAMIS)) supporting the eligibility determination process and pays the benefits to payors and providers on behalf of eligible participants. Historically, the State performed eligibility reviews at county welfare agencies through the Medicaid Eligibility Quality Control (MEQC) process. For State fiscal year 2006, the MEQC Unit continued to perform MEQC pilot projects as approved from the Centers for Medicaid and Medicare Services (CMS) and not perform traditional MEQC eligibility reviews. The pilot projects differ from the traditional MEQC program by allowing States to perform special studies, targeted reviews, or other activities that are designed to ensure program integrity or improve program administration. The State does not have any other means of monitoring or performing eligibility reviews at the county welfare agencies. Due to the lack of controls in place at the State to monitor eligibility determinations, no testwork could be performed.

A similar finding and disclaimer of opinion was included in the 2005 and 2004 prior year single audit reports as items 05-10 and 04-20, respectively.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Cause**

The Department obtained approval from CMS to perform pilot projects in place of the traditional MEQC eligibility reviews, however, did not have adequate alternative procedures in place for fiscal year 2006 to effectively monitor eligibility determinations for the Medical Assistance Program.

**Effect**

Claims could be made on behalf of ineligible recipients.

**Recommendation**

We recommend that the Department implement procedures to monitor and perform eligibility reviews of eligibility determinations performed at the county welfare agencies.

**Related Noncompliance**

We were unable to determine compliance with this requirement.

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### State Children's Insurance Program (93.767)

**State Agency: Department of Human Services**

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

#### Finding: 06-8

##### Criteria

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

##### Condition

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system (NJCFS). The NJ Department of Human Services, Division of Medical Assistance and Health Services (DMAHS) prepares the CMS-21, *Quarterly Children's Health Insurance Program Statement of Expenditures for Title XXI* report for the State Children's Insurance Program (SCHIP) from NJCFS.

The Department could not provide support or explanation for the difference between the total administrative cost expenditures per the CMS-21 report and the NJCFS system as included on the SEFA. The amount of the difference was \$2,345,246.

##### Cause

The Department has an established procedure to reconcile the administrative cost expenditures charged to SCHIP on the CMS-21 report; however, they could not provide support or explanation for the \$2,345,246 variance between the CMS-21 report and NJCFS.

##### Effect

The administrative expenditures reported on the SEFA for the SCHIP program were not in agreement with the amounts reported on the CMS-21 reports.

##### Recommendation

We recommend that the Department enhance its reconciliation procedures to ensure all variances can be reasonably explained and adequately supported.

##### Related Noncompliance

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

**STATE OF NEW JERSEY**  
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**Questioned Costs**

\$2,345,246

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Social Services Block Grant (93.667)**

**State Agency: Department of Human Services**

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

#### **Finding: 06-9**

##### **Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

##### **Condition**

For sixteen out of thirty timesheets selected for testwork the cost centers charged in the Cost Allocation Plan did not agree to the cost center identified or function on the employee's timesheet.

The total personal service costs expended per the schedule of expenditures of federal awards was \$7,304,542 and the salary costs related to the sixteen timesheets were \$251,616. Total salary costs included in the sample were \$548,177.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

A similar finding was included in the 2005 and 2004 prior year single audit reports as items 05-1 and 04-12, respectively.

**Cause**

The Cost Allocation Plan did not reflect the proper cost center where an employee actually worked.

**Effect**

Salary expenditures are not properly allocated in the cost allocation plan.

**Recommendation**

We recommend that the Department ensure that employee time is allocated and charged to the proper cost center in the Cost Allocation Plan.

**Related Noncompliance**

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

**Questioned Costs**

\$251,616

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)**

**State Agency: Department of Human Services**

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

#### **Finding: 06-10**

##### **Criteria**

An individual is eligible for VR services if the individual (1) has a physical or mental impairment that, for the individual, constitutes or results in a substantial impediment to employment; (2) can benefit in terms of an employment outcome from VR services; and (3) requires VR services to prepare for, secure, retain, or regain employment (Section 102(a)(1) of the Act (29 USC 722(a)(1))).

An individual who is a beneficiary of Social Security Disability Insurance or a recipient of Supplemental Security Income is presumed to be eligible for VR services (provided that the individual intends to achieve an employment outcome consistent with the unique strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual) unless the State VR Agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the disability of the individual (Section 102(a)(3) of the Act (29 USC 722(a)(3))).

An individual is presumed to be able to benefit in terms of an employment outcome from VR services unless the State VR Agency can demonstrate by clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services due to the severity of the individual's disability. This determination must be made through the use of trial work experiences with appropriate supports provided by the State VR Agency, except under limited circumstances when the individual can not take advantage of such experiences (Section 102(a)(2) of the Act (29 USC 722(a)(2))).

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

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

The State may choose to consider the financial need of eligible individuals or individuals who are receiving services during a trial work experience or an extended evaluation for the purposes of determining the extent of their participation in the cost of VR services. The State may not consider financial need when providing services described in 34 CFR 361.54(b)(3). If the State indicates in its State Plan that it will use financial need tests for one or more types of VR services, it must apply such tests in accordance with its written policies uniformly to all individuals under similar circumstances. The policies may require different levels of need for different



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

geographic regions in the State, but must be applied uniformly to all individuals within each geographic region (34 CFR Section 361.54).

#### **Condition**

Of the thirty clients selected for testwork, nine eligibility certification forms were not signed by both the caseworker and the supervisor for the Commission for the Blind and Visually Impaired. The amount expended for the nine clients was \$5,725 and the total amount included in the sample was \$17,618. Total amounts passed through to eligible subrecipients were \$5,522,980.

#### **Cause**

The Department did not follow their prescribed guidelines for the authorization and review of client eligibility forms.

#### **Effect**

Eligibility certifications may have been processed without proper authorization and review, and therefore, payments may have been made on behalf of ineligible clients for services received during State fiscal year 2006.

#### **Recommendation**

We recommend that the Department ensure that the required eligibility certification documentation contains the proper signatures of both the caseworker and the supervisor.

#### **Related Noncompliance**

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

#### **Questioned Cost**

\$5,725

#### **View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)**

**State Agency: Department of Human Services**

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

#### **Finding: 06-11**

##### **Criteria**

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

##### **Condition**

For three of thirty procurements selected for testwork, the Department did not perform price competition procedures. The amount expended for the three procurements was \$7,404 and the total amount included in the sample was \$19,901. Total other than personal service expenditures from which the sample was drawn were \$2,941,433.

A similar finding was included in the 2005, 2004, 2003, and 2002 prior year single audit reports as items 05-65, 04-2, 03-1, and 02-1, respectively.

##### **Cause**

Caseworkers procured items without following proper procurement procedures.

##### **Effect**

The purchases made may not have been priced competitively.

##### **Recommendation**

We recommend that the Department perform price competition procedures, as described in Procurement Circular 06-16-DPP, on all procurements.

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**Related Noncompliance**

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

**Questioned Costs**

\$7,404

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Food Stamps Cluster (10.551, 10.561)**

**Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)**

**Temporary Assistance for Needy Families (93.558)**

**Child Support Enforcement (93.563)**

**Low-Income Home Energy Assistance (93.568)**

**Child Care Cluster (93.575, 93.596)**

**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

**State Children's Insurance Program (93.767)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

**State Agency: Department of Human Services**

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

**Finding: 06-12**

**Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C paragraph 2 for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C paragraph 3 for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.

## **STATE OF NEW JERSEY**

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- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C paragraph 4 for additional information on applicable credits.)
- (j) Be adequately documented.

#### **Condition**

The Department utilizes Cost Allocation Plans to allocate costs for each of its divisions and for central operations. We tested a sample of underlying transactions allocated by each of the plans and noted the following exceptions.

Three out of thirty time sheets selected for Department Management testwork had evidence of the employees' and supervisors' signature; however, there was no evidence of the payroll clerks' approval on the timesheet or the payroll exception report.

A similar finding was included in the 2005 and 2004 prior year single audit reports as items 05-8 and 04-14, respectively.

#### **Cause**

There is a lack of effective internal control requiring signed documentation of personal services transactions.

#### **Effect**

Personal services expenditures may not be appropriately reviewed and approved and may not be appropriately allocated.

#### **Recommendation**

We recommend that the Department strengthen internal controls over the process for proper review and authorization of personal services expenditures.

#### **Related Noncompliance**

Not applicable as this is an internal control finding.

#### **Questioned Costs**

None

#### **View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

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**Year ended June 30, 2006**

**Food Stamps Cluster (10.551, 10.561)**

**Child and Adult Care Food Program (10.558)**

**Employment Services Cluster (17.207, 17.801, 17.804)**

**Unemployment Insurance (17.225)**

**Workforce Investment Act Cluster (17.258, 17.259, 17.260)**

**Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)**

**Centers for Disease Control and Prevention – Investigations and Technical Assistance (93.283)**

**Temporary Assistance for Needy Families (93.558)**

**Child Support Enforcement (93.563)**

**Child Care Cluster (93.575, 93.596)**

**Foster Care – Title IV-E (93.658)**

**Adoption Assistance (93.659)**

**Social Services Block Grant (93.667)**

**State Children’s Insurance Program (93.767)**

**Medicaid Cluster (93.775, 93.777, 93.778)**

**State Pharmaceutical Assistance Programs (93.786)**

**Disability Insurance/SSI Cluster (96.001)**

**Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agencies: U.S. Department of Agriculture**

**U.S. Department of Labor**

**U.S. Department of Education**

**U.S. Department of Health and Human Services**

**Social Security Administration**

**U.S. Department of Homeland Security**

**Finding: 06-13**

**Criteria**

Section II costs - Direct Costs are chargeable to grant programs in accordance with Circular Letter A-87 and OASC-10.

**Condition**

The State of New Jersey prepares a Fringe Benefit Rate Proposal for negotiation with the United States Department of Health and Human Services. The negotiated fringe benefit rate is used by all State agencies

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

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including State colleges for estimating and computing actual charges for fringe benefit costs related to Federal programs in their indirect cost rate proposals, as well as, for direct billing of fringe benefit costs. The negotiated fringe benefit rate applies to personnel who are members of the Public Employees' Retirement System (P.E.R.S.), Teacher's Alternate Benefit Plan (T.A.B.P.), Teacher's Pension and Annuity Fund (T.P.A.F.), Police and Fire Retirement System, and all employees who are not members of a pension plan, but are covered for Health Benefits.

During our audit we noted that there was a manual error in the computation of the proposed fringe benefit rate in which approximately \$48 million of pension salaries were excluded from the PERS fringe benefit rate calculation, resulting in an approximately \$10.2 million overcharge statewide of fringe benefits costs associated with PERS. Since the rate had already been negotiated and the error was not caught until April 2006, the State decided to take a one-time charge against recoveries for the FY 2007 fringe benefit rate computation. If the error did not occur, the PERS fringe benefit rate would have been negotiated at 24.7% instead of 25.1%.

We also noted a manual error in the computation of workers compensation appropriations disaggregated amongst the groups receiving benefits in that 2005 employee information was used rather than 2006. This error was not detected through the State's limited review prior to submission of the plan to the Federal Government. This error did not have an effect on the final fringe benefit rate negotiated with the Federal Government.

It should be noted that the State identified the errors and made a subsequent correction as a one-time charge for the 2007 negotiated rate.

For the above programs, the Schedule of Expenditures of Federal Awards was overstated by \$2,725,814 as a result of utilization of the incorrect PERS fringe benefit rate.

#### **Cause**

There were manual errors and inconsistencies in data entering certain salary and expense amounts in the spreadsheets utilized to calculate the fringe benefit rate.

#### **Effect**

The State of New Jersey utilized an incorrect fringe benefit rate for PERS in 2006; however, the State identified the error and made a subsequent correction as a one-time charge for the 2007 negotiated rate.

#### **Recommendation**

We recommend that the State strengthen its procedures in the preparation and the review of the proposed fringe benefit rate plan to ensure that all costs and amounts entered to prepare the proposed fringe benefit rate are correct.

#### **Questioned Costs**

Food Stamps Cluster - \$17,811

Child and Adult Care Food Program - \$13,467

Employment Services Cluster - \$66,491

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Unemployment Insurance - \$224,540

Workforce Investment Act Cluster - \$40,047

Rehabilitation Services: Vocational Rehabilitation Grants to States - \$71,175

Centers for Disease Control and Prevention – Investigations and Technical Assistance - \$38,238

Temporary Assistance for Needy Families - \$71,464

Child Support Enforcement - \$328,285

Child Care Cluster - \$16,189

Foster Care – Title IV-E - \$155,460

Adoption Assistance - \$134,662

Social Services Block Grant - \$28,861

State Children’s Insurance Program - \$17,213

Medicaid Cluster - \$1,366,547

State Pharmaceutical Assistance Programs - \$18,022

Disability Insurance/SSI Cluster - \$103,086

Homeland Security Cluster - \$14,258

**View of Responsible Official**

See management’s corrective action plan.



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### Schedule of Findings and Questioned Costs

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#### Title I Grants to Local Educational Agencies (84.010)

**State Agency: Department of Education**

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

#### Finding: 06-14

##### Criteria

A pass through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During the Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

##### *During the Award Monitoring*

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

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

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### Schedule of Findings and Questioned Costs

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

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

#### *Agreed upon procedures engagements*

A pass through entity may arrange for agreed upon procedures engagements for certain aspects of subrecipient activities, such as eligibility determinations. Since the pass through entity determines the procedures to be used and compliance areas to be tested, these agreed upon procedures engagements enable the pass through entity to target the coverage to areas of greatest risk. The costs of agreed upon procedures engagements is an allowable cost to the pass through entity if the agreed upon procedures are performed for subrecipients below the A-133 threshold for audit (currently at \$300,000 and increases to \$500,000 for fiscal years ending after December 31, 2003) for the following types of compliance requirements: activities allowed or unallowed; allowable costs/cost principles; eligibility; matching, level of effort, earmarking; and reporting (OMB Circular A-133 (§\_\_\_,230(b)(2))).

#### **Condition**

For six of twenty-six subrecipient desk reviews selected for testwork, the audit reports identified the incorrect Type A threshold in the Summary Schedule of Findings and Questioned Costs. Each report indicated \$500,000 as the Type A threshold, however, the amount should have been \$300,000, calculated from the total expenditures reported on the respective Schedules of Expenditures of Federal Awards. Additionally, for one of these six subrecipients, the audit firm engaged to conduct the audit failed to identify two major programs that should have been audited as part of the 2005 single audit. The Department's desk review procedures did not identify this error and a close-out letter was sent to the audit firm indicating the report was satisfactory.

#### **Cause**

The Department's desk review procedures over subrecipient audits did not identify errors in the single audit reports received.

#### **Effect**

The Department accepted subrecipient audit reports that had deficiencies included which were not identified through their established desk review procedures.

#### **Recommendation**

We recommend that the Department ensure that its desk review procedures over subrecipient audits include a recalculation of the Type A dollar thresholds and ensure the appropriate major programs are audited.

#### **Related Noncompliance**

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

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**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

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### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Highway Safety Cluster (20.600, 20.602, 20.604, 20.605)**

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

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

#### **Finding 06-15**

##### **Criteria**

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible, nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

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

The requirements for equipment are contained in the A-102 Common Rule ('\_\_\_\_.32), OMB Circular A-110 ('\_\_\_\_.34), Federal awarding agency program regulations, and the terms and conditions of the award.

##### **Condition**

For five of five equipment transactions selected for testwork, the items were not properly inventoried with the authorized Inventory Equipment Receiving Report. Of the thirty individual equipment pieces selected for testwork, twelve were not properly tracked in the NJ State Police fixed asset system. Additionally, we were unable to physically inspect the equipment or agree the tag number and/or vehicle identification number per the fixed asset system to the physical equipment for nine of the thirty selections.

Total equipment purchases under this program during State fiscal year 2006 were \$671,634. The total equipment costs included in the sample were \$637,454, for which all is listed below as questioned costs.

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### **Schedule of Findings and Questioned Costs**

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#### **Cause**

Incomplete control measures and oversight resulted in equipment purchases not being entered properly into the fixed asset system. Incomplete control measures and oversight resulted in an inability to locate equipment for physical inspections.

#### **Effect**

Equipment purchased with Federal funds may not be used for allowable purchases.

#### **Recommendation**

We recommend that the Department implement procedures to ensure the proper management of equipment purchased with Federal funds.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$637,454

#### **View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Public Assistance Grants (97.036)**

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

**Federal Agency: Federal Emergency Management Agency**

#### **Finding: 06-16**

##### **Criteria**

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

##### **Condition**

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Law and Public Safety prepares the Federal financial status reports (FFSR's) for the Public Assistance Grants program from the New Jersey Comprehensive Financial System. The Department of Law and Public Safety does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State nor could the Department provide a reconciliation of the amounts reported on the SEFA with amounts shown on FFSR's for the Public Assistance Grants program. The amount reported on the Schedule of Expenditures of Federal Awards for the program was \$5,231,744.

A similar finding was included in the 2005 prior year single audit report as item 05-35.

##### **Cause**

The Department did not establish a procedure to reconcile the expenditures charged to the program by the Department on the FFSR's to the amounts reported on the SEFA, which are supported by the underlying financial records.

##### **Effect**

The expenditures reported on the FFSR's may not be supported by the State's underlying financial records and may be inappropriately charged to the program.

##### **Recommendation**

We recommend that the Department implement procedures to routinely reconcile the expenditures reported in the FFSR's to the State's underlying financial records maintained on the State's central accounting system.

##### **Related Noncompliance**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Public Assistance Grants (97.036)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-17**

##### **Criteria**

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

##### **Condition**

This grant requires quarterly reporting. Personnel compile the data used for the report from the State's general ledger. For two of the four quarters selected for testwork, the activity reported on the Federal Cash Transaction Report (SF-272) did not agree to the general ledger, amounts were not reported in the proper period, and there were numerous mathematical errors. Although the cumulative total on the final quarter's report was accurate, the individual reports themselves were not correct.

A similar finding was included in the 2005 prior year single audit report as item 05-34.

##### **Cause**

The Department's procedures for review and approval of financial status reports were not operating effectively.

##### **Effect**

Quarterly reporting may not be complete and accurate.

##### **Recommendation**

We recommend that the Department implement procedures whereby the amounts reported are compared to supporting documentation and mathematical calculations are verified.

##### **Related Noncompliance**

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

##### **Questioned Costs**

None



**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-18**

##### **Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

In accordance with OMB Circular A-87, for those employees who work solely on a single Federal award or cost objective, charges for their salaries and wages must be supported by at least semi annual certifications that the employees worked solely on that program for the period covered by the certification. These certifications must be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

For those employees who work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports or equivalent documentation that meets the standards noted below:

- a. They must reflect an after the fact distribution of the actual activity of each employee.
- b. They must account for the total activity for which each employee is compensated.
- c. They must be prepared at least monthly and must coincide with one or more pay periods.
- d. They must be signed by the employee.

#### **Condition**

For twenty-eight of the thirty personal services transactions selected for testwork, the employees did not have after the fact certifications prepared or signed by employees working on the grant as required by OMB Circular A-87 to support personnel costs charged to the program. The amount of payroll costs charged during State fiscal year 2006 was \$5,168,483. The total amount of payroll costs included in the sample was \$254,468, of which \$199,770 is listed below as a questioned cost.

A similar finding was included in the 2005, 2004, 2003, 2002, 2001, and 2000 prior year single audit reports as items 05-31, 04-26, 03-38, 02-34, 01-27, and 00-09, respectively.

#### **Cause**

The Department was unable to document that costs were incurred for the program.

#### **Effect**

The program was charged for personal service costs that were not documented as having been incurred for the program.

#### **Recommendation**

We recommend that the New Jersey Department of State Police improve policies and procedures that ensure documentation and reporting of salaries and wages charged to the program are in accordance with OMB Circular A-87.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$199,770

#### **View of Responsible Official**

See management's corrective action plan

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

#### **State Agency: Department of Law and Public Safety**

#### **Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-19**

#### **Criteria**

##### *1. Activities Allowed - General.*

- a. Funds may be used to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices. Allowable activities include purchase of needed equipment and provision of training and technical assistance to State and local first responders (42 USC 3714(b)).
- b. Funds may be used for management and administration (42 USC 3714(c)(2); Title III, Pub. L. 108-334, Title III, Pub. L. 109-90) (see section III.G.3.a for a limitation).

##### *2. Activities Allowed - FY 2003*

Funds for critical infrastructure protection under the SHSP are available for operational costs to include personnel overtime as needed (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583).

##### *3. Activities Allowed - FYs 2004, 2005, and 2006*

Funds for LETPP and UASI<sub>1</sub> may be used for operational costs, including personnel overtime and overtime associated with ODP (G&T) certified training (Title III, Pub. L. 108-90; Title III, Pub. L. 108-334; Title III 109-90).

##### *4. Activities Unallowed - FYs 2003 and 2004*

SHSP and LETPP funds may not be used for the construction or renovation of facilities (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583; Title III, Pub. L. 109-90).

##### *5. Activities Unallowed - FY 2005*

SHSP, LETPP, and UASI funds may not be used for construction or renovation other than for a minor perimeter security project not to exceed \$1 million (Title III, Pub. L. 108-334).

##### *6. Activities Unallowed – FY 2006*

SHSP, UASI, LETPP funds shall not be used for the construction or renovation of facilities, except for a minor perimeter security project, not to exceed \$1,000,000, as determined necessary by the Secretary of Homeland Security. The erection of communication towers, which are included in a jurisdiction's interoperable communications plan, does not constitute construction. Conference Report 109-241 to the FY 2006 Department of Homeland Security Appropriations Act (Pub. L. 109-90), Title III, State and Local Programs.)

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

#### **Condition**

For one of forty other than personal service (OTPS) transactions selected for testwork, the Department was unable to provide supporting documentation; therefore we were unable to verify the costs were allowable to the program. The amount of OTPS charged during State fiscal year 2006 was \$13,626,828. The total amount of OTPS costs included in the sample was \$3,242,191, of which \$106,887 is listed below as questioned costs.

#### **Cause**

The Department was unable to provide the documents requested.

#### **Effect**

The program may not be for an allowable cost in accordance with Federal regulations.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Recommendation**

We recommend that the Department maintain the supporting documentation for all transactions charged to Federal programs.

**Related Noncompliance**

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

**Questioned Costs**

\$106,887

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-20**

##### **Criteria**

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

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

Interest earned on advances by local government grantees and sub-grantees is required to be submitted promptly, but at least quarterly, to the Federal agency. Up to \$100 per year may be kept for administrative expenses. Interest earned by non-State, nonprofit entities on Federal fund balances in excess of \$250 is required to be remitted to Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852.

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

The requirement for cash management are contained in the OMB Circular 102 (Paragraph 2.a), the A-102 Common Rule ('\_\_\_,21), OMB Circular A-110 ('\_\_\_,22), Treasury regulations at 31 CFR part 205, Federal awarding agency regulations, and the terms and conditions of the award.

##### **Condition**

For four of ten drawdowns selected for testwork, we were unable to agree the amount drawn down to supporting documentation from the New Jersey Comprehensive Financial System (NJCFS). These four drawdowns totaled \$19,094,728. The total amount of drawdowns included in the sample was \$22,972,615.

##### **Cause**

The Department's procedures for review and approval of financial status reports were not operating effectively.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Effect**

Cash drawdowns may not be complete and accurate.

**Recommendation**

We recommend that the Department implement procedures whereby the amounts drawn down are supported by underlying documentation from NJCFS and performed on a consistent basis.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.



## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

#### **State Agency: Department of Law and Public Safety**

#### **Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-21**

#### **Criteria**

##### *1. Activities Allowed - General.*

- c. Funds may be used to enhance the capability of State and local jurisdictions to prepare for and respond to terrorist acts including events of terrorism involving weapons of mass destruction and biological, nuclear, radiological, incendiary, chemical, and explosive devices. Allowable activities include purchase of needed equipment and provision of training and technical assistance to State and local first responders (42 USC 3714(b)).
- d. Funds may be used for management and administration (42 USC 3714(c)(2); Title III, Pub. L. 108-334, Title III, Pub. L. 109-90) (see section III.G.3.a for a limitation).

##### *2. Activities Allowed - FY 2003*

Funds for critical infrastructure protection under the SHSP are available for operational costs to include personnel overtime as needed (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583).

##### *3. Activities Allowed - FYs 2004, 2005, and 2006*

Funds for LETPP and UASI<sub>1</sub> may be used for operational costs, including personnel overtime and overtime associated with ODP (G&T) certified training (Title III, Pub. L. 108-90; Title III, Pub. L. 108-334; Title III 109-90).

##### *4. Activities Unallowed - FYs 2003 and 2004*

SHSP and LETPP funds may not be used for the construction or renovation of facilities (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583; Title III, Pub. L. 109-90).

##### *5. Activities Unallowed - FY 2005*

SHSP, LETPP, and UASI funds may not be used for construction or renovation other than for a minor perimeter security project not to exceed \$1 million (Title III, Pub. L. 108-334).

##### *6. Activities Unallowed – FY 2006*

SHSP, UASI, LETPP funds shall not be used for the construction or renovation of facilities, except for a minor perimeter security project, not to exceed \$1,000,000, as determined necessary by the Secretary of Homeland Security. The erection of communication towers, which are included in a jurisdiction's interoperable communications plan, does not constitute construction. Conference Report 109-241 to the FY 2006 Department of Homeland Security Appropriations Act (Pub. L. 109-90), Title III, State and Local Programs.)

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

#### *Equipment Management*

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible, nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

Local governments and Indian tribes shall follow the A-102 Common Rule for equipment acquired under Federal awards directly from a Federal awarding agency. Institutions of higher education, hospitals, and other nonprofit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Circular A-110 require that equipment be used in the program which acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value in excess of \$5,000 is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

The requirements for equipment are contained in the A-102 Common Rule ('\_\_\_\_.32), OMB Circular A-110 ('\_\_\_\_.34), Federal awarding agency program regulations, and the terms and conditions of the award.

#### *Procurement*

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

#### **Condition**

For two of thirty equipment transactions selected for testwork, the receiving reports provided did not agree to the invoice, therefore we were unable to trace the equipment to the fixed asset system. Costs charged to the program for these transactions were \$196,600 and have been included below as questioned costs.

For four of thirty transactions selected for testwork, no receiving report was provided, therefore we were unable to verify that the items purchased were properly tagged with the New Jersey State Police bar code and we were unable to agree the tag number to the equipment. Costs charged to the program for these transactions were \$194,437 and have been included below as questioned costs.

For three of thirty transactions selected for testwork, no supporting documentation was provided or support provided did not agree to the amount charged to the grant. Costs charged to the program for these transactions were \$455,397 and have been included below as questioned costs.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

Total equipment expenditures under this program during State fiscal year 2006 were \$4,944,604 and the amount of equipment expenditures included in the sample was \$2,631,695.

A similar finding was included in the 2005, 2004, 2003, and 2002 prior year single audit reports as items 05-30, 04-27, 03-39, and 02-36, respectively.

#### **Cause**

Incomplete control measures and oversight resulted in an inability to provide documents required for testwork.

#### **Effect**

Equipment purchased with Federal funds may not be used for allowable purchases.

#### **Recommendation**

We recommend that the Department implement procedures to ensure the proper management of equipment purchased with Federal funds.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$846,434

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-22**

##### **Criteria**

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible, nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

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

The requirements for equipment are contained in the A-102 Common Rule ('\_\_\_\_.32), OMB Circular A-110 ('\_\_\_\_.34), Federal awarding agency program regulations, and the terms and conditions of the award.

##### **Condition**

Six of thirty transactions selected for testwork were purchased for local governmental units and were no longer in the State of New Jersey's possession. None of the six transactions had receipts signed by the receiving entity that they received and/or took ownership of the equipment. These transactions totaled \$976,196 and should have been included in the amount passed through to subrecipients on the Schedule of Expenditures of Federal Awards (SEFA).

Total equipment expenditures under this program during State fiscal year 2006 were \$4,944,604 and the amount of equipment expenditures included in the sample was \$2,631,695.

##### **Cause**

The Division does not have procedures in place to identify equipment purchased for local government units and subsequently include these expenditures as pass-through to subrecipients.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Effect**

Equipment purchased with Federal Funds passed-through to local government units is not identifiable. The amount related to the equipment purchases passed-through to subrecipients is not properly reflected on the Schedule of Federal Awards passed-through to subrecipients column.

#### **Recommendation**

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

#### **Related Noncompliance**

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

#### **Questioned Costs**

Cannot be determined.

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-23**

##### **Criteria**

##### *Matching*

The compliance requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the laws, regulations, and provisions of contract or grant agreements pertaining to the program.

However, for matching, the A-102 Common Rule ('\_\_\_\_.24) and OMB Circular A-110 ('\_\_\_\_.23) provide detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the non-Federal entity's records
- Are not included as contributions for any other Federally assisted project or program, unless specifically allowed by Federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the Federal Government under another award, except where authorized by Federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the Federal awarding agency.

Conform to the other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

Matching or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in kind contributions (including third party in kind contributions).

##### *Reporting*

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

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Condition**

The Emergency Management Performance Grant (EMPG) has a 50% Federal and 50% State cost-share cash or in-kind match requirement. Cash match includes cash spent for project related costs. Allowable cash match must include those costs which are allowable with Federal funds with the exception of the acquisition of land, when applicable. In-kind match includes, but is not limited to, the valuation of in-kind services. In-kind is the value of something received or provided that does not have a cost associated with it. As the State is the pass through entity for local government funding, they are responsible for monitoring the local governments to ensure that they have met their matching requirements.

The New Jersey Division of State Police (the Division) does not have controls in place to monitor the overall match requirement. Additionally, they did not report the match on the quarterly Financial Status Reports (SF-269A) submitted to the Federal government.

A similar finding was included in the 2005 prior year single audit report as item 05-28.

#### **Cause**

The Division should implement policies and procedures to ensure documentation and reporting of match funds to the program are in accordance with OMB Circular A-87.

#### **Effect**

The Division is not tracking or reporting matching funds.

#### **Recommendation**

We recommend that the Division improve its policies and procedures to ensure that State funds spent to match Federal grants are monitored and reported. Furthermore, the Division should monitor that the recipients of Federal funding have reported their progress to meet matching requirements on a regular basis throughout the year.

#### **Related Noncompliance**

Based on the above, the Division was not fully in compliance with this requirement.

#### **Questioned Costs**

None

#### **View of Responsible Official**

See management's corrective action plan.



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-24**

##### **Criteria**

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Institutions of higher education, hospitals, and other nonprofit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule ('\_\_\_\_.36), OMB Circular A-110 ('\_\_\_\_.40 through'\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110).

##### **Condition**

Of the forty other than personal services (OTPS) transactions tested, the Department was unable to provide the documents requested for one transaction to support that the Department was following the proper procurement procedures. The amount of OTPS charged during State fiscal year 2006 was \$13,626,828. The total amount of OTPS costs included in the sample was \$3,242,191, of which \$106,887 is listed below as questioned costs.

##### **Cause**

The Department was unable to provide the documents requested.

##### **Effect**

The program may not be following procurement policies in accordance with Federal regulations.

##### **Recommendation**

We recommend that the Department maintain the supporting documentation for transactions charged to Federal programs.

##### **Related Noncompliance**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Questioned Costs**

\$106,887

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-25**

##### **Criteria**

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

##### **Condition**

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Law and Public Safety prepares the Federal financial status reports (FFSR's) for the Homeland Security Grants programs from the New Jersey Comprehensive Financial System. The Department of Law and Public Safety does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State nor could the Department provide a reconciliation of the amounts reported on the SEFA with amounts shown on FFSR's for the Homeland Security Grants programs. The amount reported on the Schedule of Expenditures of Federal Awards for the programs were as follows: State Domestic Preparedness Equipment Support Program – \$46,180,798 and Homeland Security Grant Program – \$14,931,022.

A similar finding was included in the 2005 prior year single audit report as item 05-33.

##### **Cause**

The Department did not establish a procedure to reconcile the expenditures charged to the programs by the Department on the FFSR's to the amounts reported on the SEFA, which are supported by the underlying financial records.

##### **Effect**

The expenditures reported on the FFSR's may not be supported by the State's underlying financial records and may be inappropriately charged to the program.

##### **Recommendation**

We recommend that the Department implement procedures to routinely reconcile the expenditures reported in the FFSR's to the State's underlying financial records maintained on the State's central accounting system.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-26**

##### **Criteria**

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

##### **Condition**

This grant requires quarterly reporting. Personnel compile the data used for the report from the State's general ledger. For two of the six reports selected for testwork, the activity reported on the Financial Status Reports (FSR SF-269A) did not agree to New Jersey Comprehensive Financial System detail and one of the six erroneously indicated the report was the final report.

##### **Cause**

The Department's procedures for review and approval of financial reports were not operating effectively.

##### **Effect**

Quarterly reporting may not be complete and accurate.

##### **Recommendation**

We recommend that the Department implement procedures whereby the amounts reported are reviewed by comparing to supporting documentation, including prior quarter's report, and mathematical calculations are verified.

##### **Related Noncompliance**

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

##### **Questioned Costs**

Cannot be determined.

##### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### Homeland Security Cluster (97.004, 97.067)

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

**Federal Agency: U.S. Department of Homeland Security**

#### Finding: 06-27

##### Criteria

A pass through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g. CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During the Award Monitoring* – Monitoring the subrecipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions for contracts or grant agreements and that performance goals are achieved.
- *Subrecipient audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards as provided in OMB Circular A-33, as revised during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised Circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period., (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

##### Condition

The Department has procedures in place to monitor activities and administration of its subrecipients through review of receipts submitted for reimbursement. For State fiscal year 2006, approximately \$37,397,809 in pass through payments were provided to subrecipients.

Of the thirty subrecipients selected for testwork, there is no evidence of certain communications of the required Federal award information (e.g. CFDA Title and number and name of Federal agency) during State fiscal year 2006.

##### Cause

When the Office of the Attorney General took over awarding the funds to the subrecipients, the award letters did not include the required Federal award information.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to communicate to subrecipients the Federal award information (e.g. CFDA title and number and Federal agency) in accordance with Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Homeland Security Cluster (97.004, 97.067)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-28**

##### **Criteria**

Under the SHSGP, LETPP, and UASI programs, States must obligate funds for subgrants within 60 days after the date of the grant award (Title III, Pub L. 108-90; Title III, Pub. L. 108-334). "Obligate" has the same meaning as in Federal appropriations law, i.e., there must be an action by the State to establish a firm commitment; the commitment must be unconditional on the part of the State; there must be documentary evidence of the commitment, and the award terms must be communicated to the subgrantee and if applicable, accepted by the grantee.

##### **Condition**

The State of New Jersey received notification of the 2006 Homeland funds on June 30, 2006. These funds were required to be obligated by August 31, 2006. Of the six counties selected for testwork, none of the awards were obligated within the required timeframe. The awards to subrecipients were made from October, 2006 through January, 2007 and amounted to \$4,925,026.

##### **Cause**

The Office of the Attorney General did not send award letters to the counties and other local jurisdictions within the required timeframe.

##### **Effect**

Noncompliance with the Federal requirements could result in a loss of funding for the State.

##### **Recommendation**

We recommend that the Department implement procedures to notify the local authorities within the required timeframe.

##### **Related Noncompliance**

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

##### **Questioned Costs**

\$4,925,026

##### **View of Responsible Official**

See management's corrective action plan.



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Urban Areas Security Cluster (97.008)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-29**

##### **Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

##### **Condition**

Four of thirty other than personal services (OTPS) transactions selected for testwork were charged to the incorrect object code. The supporting invoices indicated the expenditure should have been charged to equipment and capitalized, however the expenditure was charged to maintenance.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Cause**

The expenditure was incorrectly charged due to a lack of controls regarding the review of the purchase order and payment voucher.

**Effect**

Equipment costs were not properly recorded in the New Jersey Comprehensive Financial System.

**Recommendation**

We recommend that the Department implement controls to ensure that the appropriate reviews are performed.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### Urban Areas Security Cluster (97.008)

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-30**

#### **Criteria**

##### *Activities Allowed or Unallowed*

1. Funds may be used for terrorism prevention activities (Title I, Chapter 6, Pub. L. 108-11; 117 Stat 583; Title III, Pub. L. 108-90).
2. Funds may be used for operational costs, including personnel overtime as needed (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583).
3. Funds may be used for operational costs, including personnel overtime and overtime associated with the Office for Domestic Preparedness certified training, as needed (Title III, Pub. L. 108-90).
4. Funds may be used for management and administration (42 USC 3714(c)(2); Title III, Pub. L. 108-90) (see section III.G.3.a for a limitation).
5. Funds may not be used for the construction or renovation of facilities (Title I, Chapter 6, Pub. L. 108-11, 117 Stat 583; Title III, Pub. L. 108-90).

##### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

#### *Equipment Management*

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

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

The requirements for equipment are contained in the A-102 Common Rule ('\_\_\_\_.32), OMB Circular A-110 ('\_\_\_\_.34), Federal awarding agency program regulations, and the terms and conditions of the award.

#### *Procurement*

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

#### **Condition**

For seven Office of the Attorney General (OAG) transactions of forty sampled transactions, no documentation was provided to support the expenditure. These equipment expenditures represent \$1,521,767.

For one New Jersey Division of the State Police (State Police) transaction of the forty sampled transactions, the equipment was never received and the order was cancelled in fiscal year 2007. As of field work, the funds had not been returned to the Federal government. These equipment expenditures represent \$675,000.

Twelve (five OAG and seven State Police) transactions of forty sampled transactions were purchased for local governmental units and were no longer in the State's possession. Four (three OAG and one State Police) transactions of twelve did not have documentation indicating authorization for payment (i.e signed payment voucher). None of the twelve transactions (five OAG and seven State Police) had receipts signed by the receiving entity that they received and/or took ownership of the equipment. These transactions totaled \$3,720,934 and should have been included in the amount passed through to subrecipients column on the Schedule of Expenditures of Federal Awards (SEFA).

Four OAG transactions of forty sampled transactions were incorrectly charged to the equipment object code, and five (two OAG and three State Police) transactions of forty sampled transactions had no receiving reports.

Documentation that included serial and tag numbers was only provided for two State Police transactions of the twenty-eight sampled transactions that were purchased for the State, therefore we were only able to physically inspect the two equipment transactions.

Total equipment expenditures for State fiscal year 2006 were \$15,748,401. The total amount of equipment expenditures included in the sample was \$7,592,338, for which all is listed below as questioned costs.

A similar finding was included in the 2005 prior year single audit report as item 05-37.

#### **Cause**

Incomplete control measures and oversight resulted in inconsistent monitoring of equipment.

#### **Effect**

Equipment purchased with Federal funds may not be used for allowable purposes.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Recommendation**

We recommend that the Department implement procedures to ensure the proper management of equipment purchased with Federal funds.

**Related Noncompliance**

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

**Questioned Costs**

\$7,592,338

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Urban Areas Security Cluster (97.008)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-31**

##### **Criteria**

Non-Federal entities are prohibited from contracting with or making sub awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Under rules in effect after November 26, 2003, only those procurement contracts for goods and services awarded under a non procurement transaction (e.g. Grant or cooperative agreements) that are expected to equal or exceed \$25,000 or meet certain other specified criteria are considered "covered transactions." All nonprocurement transactions (i.e. Sub awards to subrecipients) are considered covered transactions --- this was not changed by the rules revised effective November 26, 2003.

When non-Federal entities enter into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity (\_\_\_\_.300). The information contained in the EPLS is available in printed and electronic formats. The printed version is published monthly. Copies may be obtained by purchasing a yearly subscription from the Superintendent of Documents, US Government Printing Office, Washington DC 20402, or by calling the Government Printing Office Inquiry and Order Desk at (202) 783-3238. The electronic version can be accessed on the Internet (<http://epls.arnet.gov>).

Requirements for suspension and debarment are contained in the Federal agencies' codification of the government wide debarment and suspension common rule (see Appendix II for CFR sites) which implements Executive Orders 12549 and 12689, Debarment and Suspension, and the terms of the award.

##### **Condition**

None of the thirty subrecipient transactions selected for testwork had proper suspension and debarment certifications in their files. Transactions for these thirty transactions amounted to \$1,631,920 for State fiscal year 2006. Based on our audit procedures, none of the subrecipients were listed on the Excluded Parties List System.

##### **Cause**

The Office of the Attorney General does not include Suspension and Debarment Certification in their award letters or the payment vouchers from the local agencies.

##### **Effect**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Recommendation**

We recommend that the Department include suspension and debarment certification in the payment vouchers from the local agencies.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Urban Areas Security Cluster (97.008)**

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-32**

##### **Criteria**

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

##### **Condition**

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Law and Public Safety prepares the Federal financial status reports (FFSR's) for the Urban Areas Security Initiative Grants program from the New Jersey Comprehensive Financial System. The Department of Law and Public Safety does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State nor could the Department provide a reconciliation of the amounts reported on the SEFA with amounts shown on FFSR's for the Urban Areas Security Initiative Grants programs. The amount reported on the Schedule of Expenditures of Federal Awards for the year was \$23,828,773.

A similar finding was included in the 2005 prior year single audit report as item 05-40.

##### **Cause**

The Department did not establish a procedure to reconcile the expenditures charged to the programs by the Department on the FFSR's to the amounts reported on the SEFA, which are supported by the underlying financial records.

##### **Effect**

The expenditures reported on the FFSR's may not be supported by the State's underlying financial records and may be inappropriately charged to the program.

##### **Recommendation**

We recommend that the Department implement procedures to routinely reconcile the expenditures reported in the FFSR's to the State's underlying financial records maintained on the State's central accounting system.

##### **Related Noncompliance**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### Urban Areas Security Cluster (97.008)

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

**Federal Agency: U.S. Department of Homeland Security**

#### **Finding: 06-33**

##### **Criteria**

A pass through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g. CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During the Award Monitoring* – Monitoring the subrecipients' use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions for contracts or grant agreements and that performance goals are achieved.
- *Subrecipient audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards as provided in OMB Circular A-33, as revised during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised Circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period., (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

##### **Condition**

The Department has procedures in place to monitor activities and administration of its subrecipients through review of receipts submitted for reimbursement. For State fiscal year 2006, approximately \$8,129,089 in pass through payments were provided to subrecipients.

However, of the thirty subrecipients selected for testwork, there is no evidence of certain communications of the required Federal award information (e.g. CFDA Title and number and name of Federal agency) during State fiscal year 2006.

##### **Cause**

The Office of the Attorney General does not include the required Federal award information in their award letters to the subrecipients.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to communicate to subrecipients the Federal award information (e.g. CFDA title and number and Federal agency) in accordance with Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Help America Vote Act Requirements Payments (90.401)**

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

**Federal Agency: Election Assistance Commission**

#### **Finding: 06-34**

##### **Criteria**

##### *Activities Allowed or Unallowed*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

##### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Condition**

As part of the Departments internal control process over authorizing program expenditures, the Department requires the completion of a Payment Authorization Request (PAR) form. For four of thirty other than personal services (OTPS) expenditures selected for testwork, the PAR form could not be located, however the expenditures were authorized through underlying support and were considered allowable. For one out of thirty OTPS expenditures selected for testwork, the expenditure was for an unallowable cost. The amount expended for the unallowable expenditure was \$26,414.

Total OTPS expenditures for the program during State fiscal year 2006 were \$10,523,106 and the total amount of OTPS expenditures included in the sample was \$7,094,590.

#### **Cause**

The Department misplaced some files and could not locate the supporting authorization for the four expenditures noted above. The latter expenditure was considered allowable by the Department however entertainment expenses are considered unallowable under the Help America Vote Act Requirements Payments program.

#### **Effect**

The Department did not comply with their internal control policy and unallowable costs could be charged to the program.

#### **Recommendation**

We recommend that the Department ensure that the required activities allowed/allowable costs documentation is maintained and all invoices are reviewed for allowability prior to payment.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$26,414

#### **View of Responsible Official**

See management's corrective action plan.

# STATE OF NEW JERSEY

## Schedule of Findings and Questioned Costs

Year ended June 30, 2006

### Help America Vote Act Requirements Payments (90.401)

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

**Federal Agency: Election Assistance Commission**

#### Finding: 06-35

##### Criteria

*Financial Status Report (FSR) (SF-269 (OMB No. 0348-0039)).* Recipients use the FSR to report the status of funds for all non-construction projects and for construction projects when the FSR is required in lieu of the SF-271.

##### Condition

Incorrect amounts were reported on the SF-269 report for the period ended September 30, 2005 for the previously reported and cumulative expenditure amounts line items. Additionally, one line item labeled "Total Federal Funds authorized for this funding period" incorrectly included State match expenditures.

	<b>Reported on SF-269</b>	<b>Amount agreed to supporting documentation</b>	<b>Difference</b>
Previously reported Federal share of net outlays	\$ 433,455	64,405	369,050
Cumulative Federal share of net outlays	4,702,505	4,333,455	369,050
Total Federal funds authorized for this funding period	71,650,060	68,067,586	3,582,474

Lastly, there were three amounts for which no supporting documentation could be provided. These three amounts included total unliquidated obligations, Federal share of unliquidated obligations, and undisbursed program income in the amounts of \$11,535,153, \$11,535,153, and \$769,592, respectively.

##### Cause

The amounts reported incorrectly were not identified during the final review of the report. The supporting documentation could not be located by the Department to substantiate the three remaining amounts.

##### Effect

An incorrect Federal financial report was submitted.

##### Recommendation

We recommend that the Department perform a more detailed review of the SF-269 so that all errors can be detected prior to submission. We also recommend that the Department maintain all supporting documentation used to prepare the SF-269 reports.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Related Noncompliance**

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

**Questioned Costs**

\$369,050

**View of Responsible Official**

See management's corrective action plan.



## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### Help America Vote Act Requirements Payments (90.401)

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

**Federal Agency: Election Assistance Commission**

#### Finding: 06-36

##### Criteria

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* - Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

##### Condition

The Department has procedures in place to monitor activities and administration of its subrecipients through review of receipts submitted for reimbursement. For State fiscal year 2006, approximately \$23,518,872 in pass through payments were provided to subrecipients.

Of the five subrecipients selected for testwork, there is no evidence of certain communications of the required Federal award information (e.g. CFDA Title and number and name of Federal agency) and applicable compliance requirements during State fiscal year 2006.

##### Cause

The Department does not consider payments made under this program to be passed through funding.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Effect**

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

**Recommendation**

We recommend that the Department implement procedures to communicate to subrecipients the Federal award information (e.g. CFDA Title and number and name of Federal agency) and applicable compliance requirements in accordance with Federal requirements.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Employment Services Cluster (17.207, 17.801, 17.804)**

**Workforce Investment Act Cluster (17.258, 17.259, 17.260)**

**Rehabilitation Services: Vocational and Rehabilitation Grants to States (84.126)**

**Disability Insurance/SSI Cluster (96.001)**

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

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

**U.S. Department of Education**

**Social Security Administration**

**Finding: 06-37**

**Criteria**

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Condition**

The Time and Leave Reporting System (TALRS) is used to generate payroll and feeds payroll information to the New Jersey Comprehensive Financial System (NJCFIS), which is the system used to generate the Schedule of Expenditures of Federal Awards (SEFA). The Department's Cost Accounting System (CAS) breaks down payroll information by project code to determine the amounts to be charged to each Federal program.

For twenty-three of the one hundred employees selected for personal services testwork, total hours for each employee per TALRS agreed to CAS; however, the distribution of vacation, sick, administrative and other time per TALRS did not agree to CAS. Reconciliation procedures between the two systems were not performed adequately.

A similar finding was included in the 2005, 2004 and 2003 prior year single audit reports as items 05-43, 04-36 and 03-46, respectively.

#### **Cause**

Reconciliation procedures in place between CAS and TALRS were not properly followed in all cases.

#### **Effect**

Costs may not properly be recorded in CAS and charged to the correct Federal program.

#### **Recommendation**

We recommend that the Department improve internal control procedures to ensure that time per TALRS is reconciled with CAS on a regular basis and that vacation, sick, administrative and other time is properly tracked and appropriately charged to the Federal programs.

#### **Related Noncompliance**

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

#### **Questioned Costs**

None

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Comprehensive School Reform Demonstration (84.332)**

**State Agency: Department of Education**

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

#### **Finding: 06-38**

##### **Criteria**

##### *Suspension and Debarment*

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

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

##### **Condition**

Every Local Educational Agency (LEA) wishing to receive discretionary grant funds must complete a Notice of Grant Opportunity (NGO) in order to determine their eligibility to receive the funds. The NGO contains its own Assurances and Certifications document, which is signed by the authorized official, indicating that they are not suspended or debarred from receiving Federal or State funds or participating in such activities.

For 1 of 17 LEAs selected for testwork, the file did not contain the signed Assurances and Certifications document. The Department could not provide any documentation to ensure the LEA had certified that it was not suspended or debarred.

##### **Cause**

Supporting documentation could not be provided by the Department, due to a lack of following the control procedures in place regarding the paper filing of documents.

##### **Effect**

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

##### **Recommendation**

We recommend that the Department follow the designed internal control procedures in place to ensure that LEA required documents are properly filed and maintained.

##### **Related Noncompliance**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

#### **Child and Adult Care Food Program (10.558)**

**State Agency: Department of Agriculture**

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

#### **Finding: 06-39**

##### **Criteria**

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

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

The administering agency is required to conduct periodic site visits at not less than 3-year intervals to sponsored child-care centers and family or group day-care homes to identify and prevent management deficiencies and fraud and abuse under the program 7 CFR Section 226.6(m) and (42 USC 1766 (d)(2)(A)).

##### **Condition**

For the forty sponsoring agencies selected for testwork, two reviews were not performed within the required timeframe.

A similar finding was included in the 2005, 2004, 2003, 2002 and 2001 prior year single audit reports as items 05-46, 04-24, 03-34, 02-18 and 01-26, respectively.

##### **Cause**

The Department did not have adequate resources necessary to perform on-site reviews in a timely manner.

##### **Effect**

The Department did not verify that all institutions were conducting food service operations or improving food service operations for the benefit of enrolled participants.

##### **Recommendation**

We recommend that the Department dedicate trained personnel to perform reviews of the sponsoring agencies within the required timeframe.

##### **Related Noncompliance**

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

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.



**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Weatherization Assistance for Low-Income Persons (81.042)**

**State Agency: Department of Community Affairs**

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

**Finding: 06-40**

**Criteria**

*Activities Allowed or Unallowed*

Allowable activities include only:

- a. The cost of purchase and delivery of weatherization materials (10 CFR section 440.18(c)(1)). Funds may only be expended on weatherization materials listed in Appendix A of 10 CFR part 440 or as approved by DOE.
- b. Labor costs in accordance with 10 CFR section 440.19.
- c. Transportation of weatherization materials, tools, and equipment, and work crews to a storage site and/or to the site of weatherization work (10 CFR section 440.18(c)(3)).
- d. Maintenance, operation, and insurance of vehicles used to transport weatherization materials (10 CFR section 440.18(c)(4)).
- e. Maintenance of tools and equipment (10 CFR section 440.18(c)(5)).
- f. Purchase or annual lease of tools, equipment and/or vehicles, except that any purchase of vehicles shall be referred to DOE in every instance (10 CFR section 440.18(c)(6)).
- g. Employment of on-site supervisory personnel (10 CFR section 440.18(c)(7)).
- h. Storage of weatherization materials, tools and equipment (10 CFR section 440.18(c)(8)).
- i. The costs of incidental repairs to make the installation of weatherization materials effective (10 CFR section 440.18(c)(9)).
- j. The cost of liability insurance for weatherization projects for personal injury and property damage (10 CFR section 440.18(c)(10)).
- k. The cost of carrying out low cost/no cost weatherization assistance (10 CFR section 440.20).
- l. The cost of WAP financial audits in accordance with 10 CFR section 440.23.
- m. Administrative costs (10 CFR section 440.18(c)(13)).
- n. The costs of eliminating health hazards, necessary to ensure the safe installation of weatherization materials (10 CFR section 440.18(c)(15)).

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- o. Leveraging activities, as specified in leveraging section of the State Plan and grant agreement (10 CFR section 440.18(c)(14)). Leveraging entails a State obtaining additional program-targeted non-Federal or in-kind contributions as a result of WAP funded activities. Leveraging should be limited to contributions that can be clearly attributed to a State's weatherization activities, and that are used to augment those activities.

#### *Unallowable activities*

- a. Funds shall not be used to weatherize a dwelling unit which is designated for acquisition or clearance by a Federal, State or local program within 12 months from the date of the weatherization (10 CFR section 440.18(e)(1)).
- b. Funds may not be used to install or otherwise provide weatherization materials for a dwelling unit weatherized previously with grant funds, unless:
  - i. The weatherization activities may be considered "low cost/no cost" as described in 10 CFR section 440.20: inexpensive weatherization materials are used; no labor paid with funds provided is used to install weatherization materials referred to here; and a maximum of 10 percent of the amount allocated to a subgrantee, not to exceed \$50 in materials costs per dwelling unit, is expended (10 CFR section 440.18(e)(2)(I));
  - ii. Such a dwelling has been damaged by fire, flood or other Act of God and the repair of the damage is not paid for by insurance (10 CFR section 440.18(e)(2)(ii)); or
  - iii. The dwelling unit was weatherized under the Act or other Federal program during the period September 30, 1975 through September 30, 1985 (10 CFR section 440.18(e)(2)(iii)).

#### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. A-87 also defines approval as documentation evidencing consent prior to incurring a specific cost. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2 for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3 for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

#### **Condition**

For one of fourteen payments made to subgrantees selected for testwork, the Department did not provide approved payment vouchers to support the allowability of the expenditures. Total payments to subgrantees per the Schedule of Expenditures of Federal Awards were \$2,617,756 and the amount of the unsupported payments to the subgrantees totaled \$40,360. Total payments to subgrantees included in the sample were \$1,047,795.

#### **Cause**

Program supervisors are not reviewing all expenditure reports and payment vouchers submitted by the subgrantees.

#### **Effect**

Federal funds could have been expended for unallowable purposes. In addition, Federal funds could have been expended to reimburse subgrantees before the subgrantee paid for the program costs from their own funds.

#### **Recommendation**

We recommend that the Department implement policies and procedures to ensure that disbursements are made to subgrantees based on reviewed and approved payment vouchers.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$40,360

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Weatherization Assistance for Low-Income Persons (81.042)**

**State Agency: Department of Community Affairs**

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

#### **Finding: 06-41**

##### **Criteria**

*Financial Status Report (FSR) (SF-269 (OMB No. 0348-0039))*. Recipients use the FSR to report the status of funds for all nonconstruction projects and for construction projects on a quarterly basis.

##### **Condition**

For two of the four quarterly SF-269 reports selected for testwork, we noted that both of these reports did not report the correct amount of either the Federal share of net outlays, unliquidated obligations or unobligated funds. In addition, the wrong indirect cost rate was used, causing the indirect costs reported to be overstated. The March 31, 2006 SF-269 report overstated its unliquidated obligations and indirect costs by \$140,486 and \$7,530, respectively. The June 30, 2006 SF-269 report overstated its unliquidated obligations and indirect costs by \$1,309,579 and \$5,708, respectively; and understated its unobligated funds and Federal share of net outlays by \$378,807 and \$930,772, respectively.

##### **Cause**

The Department does not have adequate policies and procedures in place to ensure that the Federal financial report is properly completed, supported by accurate documentation and reviewed by a supervisor prior to its submission.

##### **Effect**

The Department did not claim accurate expenditures to the Federal Government for the quarters ended March 31, 2006 and June 30, 2006.

##### **Recommendation**

We recommend that the Department implement procedures to ensure the Federal financial report is properly completed, supported by accurate documentation and reviewed by a supervisor prior to its submission.

##### **Related Noncompliance**

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

##### **Questioned Costs**

Cannot be determined.

##### **View of Responsible Official:**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Weatherization Assistance for Low-Income Persons (81.042)**

#### **Community Services Block Grant (93.569)**

**State Agency: Department of Community Affairs**

**Federal Agencies: U.S. Department of Energy**

**U.S. Department of Health and Human Services**

#### **Finding: 06-42**

##### **Criteria**

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

##### **Condition**

The Office of Management and Budget, NJ Department of Treasury generates the Schedule of Expenditures of Federal Awards (SEFA) from the State's underlying financial records on the central accounting system. The Department of Community Affairs prepares the Federal financial status reports (FFSR's) for the Weatherization Assistance for Low-Income Persons program and the Community Services Block Grant program from the New Jersey Comprehensive Financial System for the administrative components of the programs and internal spreadsheets and the System for Administering Grants Electronically (SAGE) for the programmatic components of the programs. The Department of Community Affairs does not routinely reconcile the amounts reported on the FFSR's to the underlying financial records of the State nor could the Department provide a reconciliation of the amounts reported on the SEFA with amounts shown on FFSR's for the Weatherization Assistance for Low-Income Persons program or the Community Services Block Grant program. The amount reported on the Schedule of Expenditures of Federal Awards for the Weatherization Assistance for Low-Income Persons program was \$3,451,256. The amount reported on the Schedule of Expenditures of Federal Awards for the Community Services Block Grant program was \$15,398,126

A similar finding was included in the 2005 prior year single audit report as item 05-52 for the Community Services Block Grant and Weatherization Assistance for Low-Income Persons programs and in 2004 and 2003 prior year single audit reports as items 04-44 and 03-24, respectively, for the Community Services Block Grant program.

##### **Cause**

The Department does not have a procedure to reconcile the expenditures charged to the programs by the Department on the FFSR's to the amounts reported on the SEFA, which are supported by the underlying financial records.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Effect**

The expenditures reported on the FFSR's may not be supported by the State's underlying financial records and may be inappropriately charged to the program.

**Recommendation**

We recommend that the Department implement procedures to routinely reconcile the expenditures reported in the FFSR's to the State's underlying financial records maintained on the State's central accounting system.

**Related Noncompliance**

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

**Questioned Costs**

Cannot be determined.

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Community Services Block Grant (93.569)**

**State Agency: Department of Community Affairs**

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

#### **Finding: 06-43**

##### **Criteria**

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

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

##### **Condition**

The Department was unable to provide a subgrantee programmatic or fiscal monitoring report that was prepared within the last three fiscal years for five of the seven subgrantees selected for test work. Additionally, there was no evidence of management review for two of the subgrantee monitoring reports reviewed. The agencies for which the Department could not provide evidence of proper monitoring procedures for received Federal funds of \$3,854,308 during State fiscal year 2006, which is listed below as questioned costs. Total payments to subgrantees during State fiscal year 2006 were \$14,429,432 and the total amount of payments to subgrantees included in the sample was \$5,342,705.

A similar finding was included in the 2005 and 2004 prior year single audit reports as item 05-51 and 04-47, respectively.

##### **Cause**

The Department does not have adequate policies and procedures in place to ensure performance of monitoring procedures of subgrantees.

##### **Effect**

Subgrantees may not be conforming with performance goals, administrative standards, financial management rules, and other requirements.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Recommendation**

We recommend that the Department perform monitoring procedures of subgrantees once every three years to ensure that they are conforming with performance goals, administrative standards, financial management rules, and other requirements. Additionally, we recommend that the Department ensure management review of all subgrantee monitoring reports and this review should be evidenced by a signature on the report.

#### **Related Noncompliance**

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

#### **Questioned Costs**

\$3,854,308

#### **View of Responsible Official**

See management's corrective action plan.



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Community Services Block Grant (93.569)**

**State Agency: Department of Community Affairs**

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

#### **Finding: 06-44**

##### **Criteria**

Subgrants may be made to the following entities, based on receipt of a community plan (42 USC 9908(b)(11):

- a. A private nonprofit organization (including migrant farm worker organization) with a pre-existing designation as an “eligible entity” immediately prior to enactment of the new CSBG Act on October 27, 1999 and with a governance mechanism meeting the tripartite governing board requirement specified in 42 USC 9910(a)).
- b. A subdivision of State government with a pre-existing designation as an “eligible entity” immediately prior to enactment of the new CSBG Act, with a governance mechanism meeting either the “tripartite” board requirements or otherwise assuring decision-making and participation by low-income individuals in the development, planning, implementation, and evaluation of CSBG-funded programs (42 USC 9910(b)).
- c. A private nonprofit organization or subdivision of State government newly designated by the State after October 27, 1999 as an “eligible entity” to provide services in an unserved area, in accordance with the criteria, requirements, and procedures specified by 42 USC 9909.

##### **Condition**

For five of the seven subgrantees selected for testwork, the Department was unable to provide the qualifications used to support that the subgrantee was an “eligible entity” meeting the tripartite governing board requirement specified in 42 USC 9910(a) or 42 USC 9910(b), as applicable. The agencies for which the Department was unable to provide documentation supporting their eligibility qualifications received Federal funds of \$3,500,372 during the State fiscal year 2006. Total payments to subgrantees during State fiscal year 2006 were \$14,429,432 and the total amount of payments to subgrantees included in the sample was \$5,342,705.

A similar finding was included in the 2005 prior year single audit report as item 05-57.

##### **Cause**

The Department does not have adequate policies and procedures in place to ensure that they receive and maintain information from its subgrantees documenting their governance mechanism in accordance with 42 USC 9910(b).

##### **Effect**

The Department may be using Federal awards to fund ineligible subgrantees.

##### **Recommendation**

We recommend the Department establish procedures to monitor that subgrantees meet the requirements of an eligible entity prior to receiving Federal funds.

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

**Related Noncompliance**

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

**Questioned Costs**

\$3,500,372

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Low-Income Home Energy Assistance (93.568)**

**State Agency: Department of Community Affairs**

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

**Finding: 06-45**

**Criteria**

*Activities Allowed or Unallowed*

1. LIHEAP funds may be used to assist eligible households to meet the costs of home energy, i.e., heating or cooling their residences (42 USC 8621(a) and 8624(b)(1)).
2. LIHEAP funds may be used to intervene in energy-related crisis situations, as defined by the grantee (42 USC 8623(c) and 8624(b)(1)).
3. LIHEAP funds may be used to conduct outreach activities (42 USC 8624(b)(1)).
4. Leveraging incentive awards must be used to increase or maintain heating, cooling, energy crisis, and weatherization benefits for low-income persons (45 CFR section 96.87(j)).
5. Leveraging incentive award funds may not be used for planning, developing, or administering the LIHEAP program (45 CFR section 96.87(j)).
6. LIHEAP funds may be used to provide low-cost residential weatherization and other cost-effective energy-related home repair (42 USC 8624(b)(1)).
7. LIHEAP grantees may use some or all of the rules applicable to the Department of Energy's Low Income Weatherization Assistance Program (CFDA 81.042) for their LIHEAP funds spent on weatherization (42 USC 8624(c)(1)(D)).
8. LIHEAP funds may be used to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors (42 USC 8624 (b)(16)).
9. LIHEAP funds (other than leveraging incentive award funds) may be used to identify, develop, and demonstrate leveraging programs (45 CFR section 96.87(c)).
10. No LIHEAP funds may be used for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility (42 USC 8628).

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. A-87 also defines approval as documentation evidencing consent prior to incurring a specific cost. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2 for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3 for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits.
- (j) Be adequately documented.

#### **Condition**

For two of twenty-five payments made to subgrantees selected for testwork, the Department was unable to provide approved payment vouchers to support the allowability of the expenditures and for fifteen of eighteen payments to individuals and utility companies selected for testwork, the Department was unable to provide detailed support for the amounts requested on the payment vouchers. Expenditures for this program total \$100,136,979, of which \$88,650,125 is pass-through to subgrantees and the amounts of unsupported payments totaled \$180,731 for the subgrantees and \$4,982,205 for individuals and utility company payments. Total payments to subgrantees and payments to individuals and utility companies included in the samples were \$1,165,792 and \$4,983,133, respectively.

A similar finding was included in the 2005 prior year single audit report as item 05-53 related to the payments to individuals and utility companies.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Cause**

Program Supervisors are not reviewing and approving all expenditure reports and payment vouchers submitted by the subgrantees. The Department also does not receive support for the payments to be made to individuals and utility companies from the Office of Information Technology prior to making the payments.

#### **Effect**

Federal funds could be funding unallowable costs or advancing monies to subgrantees before program costs are actually paid.

#### **Recommendation**

We recommend the Department implement policies and procedures to ensure that disbursements made to subgrantees are based on reviewed and approved payment vouchers. In addition, the Department should implement procedures to ensure that it receives a detailed report of payments to be made to individuals and utility companies prior to making those payments.

#### **Related Noncompliance**

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

#### **Questioned Costs**

Payments to subgrantees - \$180,731

Payments to individuals and utility companies - \$4,982,205

#### **View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### Low-Income Home Energy Assistance (93.568)

**State Agency: Department of Community Affairs**

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

#### Finding: 06-46

##### Criteria

A pass through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (e.g., CFDA title and number, award name, name of Federal agency) and applicable compliance requirements.
- *During the Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$300,000 (\$500,000 for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133, as revised) or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 (the revised circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period, (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report, and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass through entity shall take appropriate action using sanctions.
- *Pass Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass through entity's ability to comply with applicable Federal regulations.

##### Condition

We selected a sample of five agencies from both the HEA and the Weatherization portion of the LIHEAP program to determine if the Department is monitoring the subrecipient's use of Federal awards. From our sample, we noted that programmatic monitoring reports were not available for the Weatherization agencies and fiscal monitoring reports were not available for neither of the HEA or Weatherization agencies. The agencies for which the Department could not provide evidence of proper monitoring procedures for received Federal funds of \$1,200,000 during State fiscal year 2006, which is listed below as questioned costs. Total payments to these agencies during State fiscal year 2006 were \$8,351,762 and the total amount of payments to these agencies included in the sample was \$1,200,000.

A similar finding was included in the 2005 prior year single audit report as item 05-55.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Cause**

The Department does not have adequate policies and procedures in place to ensure performance of monitoring procedures of subgrantees.

**Effect**

Subgrantees may not be conforming with performance goals, administrative standards, financial management rules, and other requirements.

**Recommendation**

We recommend that the Department perform monitoring procedures of subgrantees once every three years to ensure that they are conforming with performance goals, administrative standards, financial management rules, and other requirements. Additionally, we recommend that the Department ensure management review of all subgrantee monitoring reports. Management review should be evidenced by a signature on the report.

**Related Noncompliance**

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

**Questioned Costs**

\$1,200,000

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Immunization Grants (93.268)**

#### **Centers for Disease Control and Prevention – Investigations and Technical Assistance (93.283)**

#### **State Pharmaceutical Assistance Programs (93.786)**

#### **HIV Care Formula Grants (93.917)**

#### **State Agency: Department of Health and Senior Services**

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

#### **Finding: 06-47**

##### **Criteria**

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110, §\_\_\_\_.28).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status report (SF-269). The Federal agency may extend this deadline upon request (A-102 Common Rule, §\_\_\_\_.23).

##### **Condition**

The Department did not liquidate all obligations incurred under the award within 90 days after the end of the funding period. Additionally, the Department did not make a request to extend this deadline.

Similar findings were included in the 2005 prior year single audit report as items 05-58, 05-61, and 05-62.

##### **Cause**

The Department did not have a process in place to make a request for an extension of the deadline to liquidate all obligations incurred under the award.

##### **Effect**

All obligations may not be fully liquidated within the period of availability.

##### **Recommendation**

We recommend that the Department enhance the procedures in place to liquidate all obligations incurred under the award not later than 90 days after the end of the funding period. Additionally, we recommend that the Department implement a formal procedure to make a request for an extension of the deadline to liquidate all obligations incurred under the award, if necessary.



**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Related Noncompliance**

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

**Questioned Costs**

Immunization Grants - \$656,512

Centers for Disease Control and Prevention – Investigations and Technical Assistance - \$7,011,218

State Pharmaceutical Assistance Programs – Cannot be determined

HIV Care Formula Grants - \$1,154,589

**View of Responsible Official**

See management's corrective action plan.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### **Centers for Disease Control and Prevention – Investigations and Technical Assistance (93.283)**

**State Agency: Department of Health and Senior Services**

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

#### **Finding: 06-48**

##### **Criteria**

##### *Activities Allowed or Unallowed*

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the laws, regulations, and the provisions of contract or grant agreements pertaining to the program. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

##### *Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.
- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

#### *Period of Availability*

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110, §\_\_\_\_.28).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status report (SF-269). The Federal agency may extend this deadline upon request (A-102 Common Rule, §\_\_\_\_.23).

#### *Procurement*

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

#### **Condition**

For one of the thirty employees selected for testwork, management review of the employee's timesheet was not performed timely. When management reviewed the timesheet, errors were noted; however, adjustments were not made to the Time and Activity Cost Reporting System.

For four of thirty other than personal services (OTPS) transactions selected for testwork, the Department did not provide supporting documentation including the purchase order, invoice, and payment voucher. The total OTPS dollar amount sampled was \$1,581,315 and the total amount of unsupported transactions was \$66,110. Total OTPS expenditures from which the sample was drawn were \$4,909,630.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Cause**

Management review of the employee timesheet was not completed timely.

Supporting documentation could not be provided by the Department due to a lack of controls over the safeguarding and storage of purchase documentation.

**Effect**

Incorrect personal services costs were charged to the program.

Disbursements made for OTPS transactions may not be for proper program purposes.

**Recommendation**

We recommend that the Department enhance the procedures in place to ensure timely review of employee timesheets.

We also recommend that the Department maintain records and supporting documentation for all OTPS expenditures.

**Related Noncompliance**

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

**Questioned Costs**

Personal Services – Cannot be determined

OTPS - \$66,110

**View of Responsible Official**

See management's corrective action plan.

## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

#### **Centers for Disease Control and Prevention – Investigations and Technical Assistance (93.283)**

**State Agency: Department of Health and Senior Services**

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

#### **Finding: 06-49**

##### **Criteria**

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charge directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

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

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

The requirements for equipment are contained in the A-102 Common Rule (§\_\_\_\_.32), OMB Circular A-110 (§\_\_\_\_.34), Federal awarding agency regulations, and the terms of the award.

##### **Condition**

The Department did not perform a physical inventory of equipment during the past three fiscal years. The amount of equipment transactions charged during 2006 was \$2,358,661.

A similar finding was included in the prior year single audit report as item 05-63.

##### **Cause**

The Department did not dedicate the resources necessary to provide proper equipment management.

##### **Effect**

Equipment transactions are not being managed in accordance with Federal regulations.

**STATE OF NEW JERSEY**

**Schedule of Findings and Questioned Costs**

**Year ended June 30, 2006**

**Recommendation**

We recommend that the Department implement procedures to ensure that a physical inventory of equipment is performed at least once every two years and reconciled to the equipment records.

**Related Noncompliance**

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

**Questioned Costs**

None

**View of Responsible Official**

See management's corrective action plan.

**STATE OF NEW JERSEY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

**Immunization Grants (93.268)**

**State Agency: Department of Health and Senior Services**

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

**Finding: 06-50**

**Criteria**

*Activities Allowed or Unallowed*

1. Discretionary Section 317 Grant funds may be used to establish and maintain a preventive health service program, including:
  - a. Research into the prevention and control of diseases that may be prevented through vaccination;
  - b. Demonstration projects for the prevention and control of such diseases;
  - c. Public information and education programs for the prevention and control of such diseases;
  - d. Education, training, and clinical skills improvement activities in the prevention and control of such diseases for health professionals; and
  - e. Operational activities associated with the conduct of a successful immunization program (42 USC 247b(k)(1)).
2. The VFC program is intended primarily as a vaccine purchase and supply program for eligible children. VFC funds may be expended to support costs:
  - a. Associated with VFC vaccine ordering;
  - b. VFC vaccine distribution; and
  - c. Direct VFC program operations, such as provider recruitment and enrollment, overall VFC program coordination, vaccine management and accountability, VFC provider accountability and site visit assessments, and VFC program evaluation (42 USC 1396s).

*Allowable Costs/Cost Principles*

The basic guidelines affecting allowability of costs are identified in OMB Circular A-87 (A-87), Attachment A, Section C. Costs must meet the following general criteria to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance and administration of Federal awards. (Refer to A-87, Attachment A, Section C, paragraph 2, for additional information on reasonableness of costs.)
- (b) Be allocable to Federal awards under the provisions of A-87. (Refer to A-87, Attachment A, Section C, paragraph 3, for additional information on allocable costs.)
- (c) Be authorized or not prohibited under State or local laws or regulations.

## STATE OF NEW JERSEY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2006

- (d) Conform to any limitations or exclusions set forth in A-87, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items.
- (e) Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.
- (f) Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (g) Be determined in accordance with generally accepted accounting principles, except as otherwise provided in A-87.
- (h) Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award, except as specifically provided by Federal law or regulation.
- (i) Be net of all applicable credits. (Refer to A-87, Attachment A, Section C, paragraph 4, for additional information on applicable credits.)
- (j) Be adequately documented.

#### *Period of Availability*

Federal awards may specify a time period during which the non-Federal entity may use the Federal funds. Where a funding period is specified, a non-Federal entity may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of the subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the non-Federal entity during the same or a future period (A-102 Common Rule, §\_\_\_\_.23; OMB Circular A-110, §\_\_\_\_.28).

Non-Federal entities subject to the A-102 Common Rule shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation) to coincide with the submission of the annual Financial Status report (SF-269). The Federal agency may extend this deadline upon request (A-102 Common Rule, §\_\_\_\_.23).

#### *Procurement*

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

Local governments and Indian tribal governments which are not subrecipients of States will use their own procurement procedures provided that they conform to applicable Federal law and regulations and standards identified in the A-102 Common Rule.



## **STATE OF NEW JERSEY**

### **Schedule of Findings and Questioned Costs**

Year ended June 30, 2006

Institutions of higher education, hospitals, and other non-profit organizations shall use procurement procedures that conform to applicable Federal law and regulations and standards identified in OMB Circular A-110. All non-Federal entities shall follow Federal laws and implementing regulations applicable to procurements, as noted in Federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§\_\_\_\_.36), OMB Circular A-110 (§\_\_\_\_.40 through §\_\_\_\_.48), Federal awarding agency regulations, and the terms of the award. The specific references for the A-102 Common Rule and OMB Circular A-110, respectively are given for each procedure. (The first number listed refers to the A-102 Common Rule and the second refers to A-110.)

#### **Condition**

For one of the fifty employees selected for testwork, management review of the employee's timesheet was not completed. For two of the remaining forty-nine employees selected for testwork, there were mathematical errors on the timesheets that were not identified through management's review process and corrected.

For four of thirty other than personal services (OTPS) transactions selected for testwork, the Department did not provide supporting documentation including the purchase order, invoice, and purchase voucher. The total OTPS dollar amount sampled was \$551,792 and the total amount of unsupported transactions was \$30,127. Total OTPS expenditures from which the sample was drawn were \$1,166,067.

#### **Cause**

Management review of the employee timesheets was not effective or completed on a timely basis.

Supporting documentation could not be provided by the Department due to a lack of controls over the safeguarding and storage of purchase documentation.

#### **Effect**

Incorrect personal services costs were charged to the program.

Disbursements made for OTPS transactions may not be for proper program purposes.

#### **Recommendation**

We recommend that the Department enhance the procedures in place to ensure timely review of employee timesheets.

We also recommend that the Department maintain records and supporting documentation for all OTPS expenditures.

#### **Related Noncompliance**

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

#### **Questioned Costs**

Personal Services – Cannot be determined

**STATE OF NEW JERSEY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2006

OTPS - \$30,127

**View of Responsible Official**

See management's corrective action plan.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

(Unaudited)

# **STATE OF NEW JERSEY SINGLE AUDIT**

**FISCAL YEAR 2006**



***VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS  
TO RESOLVE SINGLE AUDIT FINDINGS***

**STATE OF NEW JERSEY SINGLE AUDIT  
FOR THE YEAR ENDED JUNE 30, 2006  
VIEWS OF RESPONSIBLE OFFICIALS  
AND CORRECTIVE ACTION PLANS FOR CURRENT YEAR FINDINGS**

<b>Child Support Enforcement (93.563)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-1 05-7 04-18 03-7 02-6 01-6 00-30	Under the redesign of the ACSES system, which began in March 2006, NJKIDS includes in the Business Process Reengineering (BPR) a plan to automate the reconciliation process. Until NJKIDS becomes operational in September 2009, the Division of Family Development (DFD) will continue to work towards manually identifying the differences between the child support accounts and the OCSE 34A Report.	Ongoing efforts; system implementation scheduled for September 2009 Robert Grzyb (609) 984-4460
<b>Foster Care—Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-2 05-9 04-9	<p>The Division of Youth and Family Services (DYFS) has updated its position control report with employees' proper cost center codes. In March 2007, the Department of the Treasury's Centralized Payroll Unit (CPU) processed a mass conversion to its system, which aligned over 900 DYFS employees to the correct function in the cost allocation plan.</p> <p>DYFS Personnel Office staff meets monthly with colleagues from the Department of the Treasury's Office of Information Technology, Office of Management and Budget and CPU to discuss methods of automating the system. In the meantime, DYFS updates its position control report to a monthly centralized payroll report and provides the CPU with any corrections/updates.</p>	March 2007 William Mazur (609) 292-7802
<b>Foster Care—Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>Social Services Block Grant (93.667)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-3 No finding in prior years	<p>The Division of Youth and Family Services (DYFS) has corrected the errors listed in the Cost Allocation Plan (CAP) reports and has sent revised CAP reports on March 21, 2007 for the quarters ending March 31, 2006 and June 30, 2006. Other corrections were made in a CAP revision dated August 21, 2006.</p> <p>DYFS provided estimates for the training hours on the original June 30, 2006 CAP report. The actual hours were not available at the time of submission and an estimated number of hours, based on the prior quarter, was used. The revised CAP report sent March 21,</p>	March 2007 William Mazur (609) 292-7802

<sup>1</sup> Current and prior year finding number(s)

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	<p>2007 for the quarter ending June 30, 2006, contains the actual training hours.</p> <p>CAPs were revised for the period beginning July 1, 2005 and there were formula errors in the original submitted CAPs for the quarters ending March 31, 2006 and June 30, 2006. The formula errors were detected on a subsequent report, the September 30, 2006 CAP, during a review by personnel from DYFS' Office of Revenue. The revised CAP reports sent on March 21, 2007, for the quarters ending March 31, 2006 and June 30, 2006, corrected these formula errors.</p>	
<b>Foster Care—Title IV-E (93.658)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-4 05-21	<p>Starting with new equipment purchased on or after 1/1/2007, the Division of Youth and Family Services (DYFS) has been updating this inventory report to include all of the requirements of 91-32-OMB. In addition, DYFS has been reviewing prior period invoices of computer equipment expenditures and making the necessary updates to the inventory records. Because of the volume of invoices, it is anticipated that this process will not be completed until 9/30/2007.</p> <p>Regarding sales of equipment, DYFS complies with NJ Circular 00-17-DPP, Disposition of Excess &amp; Surplus Computer Equipment. DYFS notifies the Department of Treasury, Division of Purchase &amp; Property (DPP), when computer equipment is outdated, damaged, or considered useless. DYFS Office of Facility and Support Services collects the equipment and delivers it to the DPP warehouse. DPP decides if the equipment is to be sold, donated, or to be reallocated to other State of NJ Departments, or to be disposed. DPP is to notify the agency when the equipment is to be held for public auction, donated, or reallocated to other State offices. It is the understanding that none of the equipment that DYFS has sent to DPP has been sold, donated, or reallocated. Therefore, no reimbursement to the federal government is applicable for this finding.</p>	<p>September 30, 2007 William Mazur (609) 292-7802</p>
<b>Food Stamps Cluster (10.551, 10.561)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Agriculture</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-5 No finding in prior years	<p>The Food Stamp Fiscal Unit supervisor will review the monthly Food Stamp Participating Household, Persons and Benefits issued Table III A &amp; B for accuracy to ensure that data entered is correct by comparing with the FAMIS monthly food stamp issuance reports. The Annual Benefit Report will be prepared only after reviewing the accuracy of the monthly tables.</p>	<p>Immediate Robert Grzyb (609) 984-4460</p>

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<b>Low-Income Home Energy Assistance (93.568)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-6 05-2	<p>On June 28, 2006, a project request was submitted to the Department of Treasury, Office of Information Technology (OIT) requesting detailed information that is included on the LIHEAP Household report and the requirement that all supporting documentation for each category on the report be retained. The OIT was unable to correct this finding during SFY 2006.</p> <p>During 2007, the LIHEAP program was moved to Department of Community Affairs. DFD submitted a copy of the OIT Work Request to DCA to inform them of the need for their follow up.</p> <p>The Department of Community Affairs has developed a report format for recording the backup data needed to support the Annual Federal LIHEAP Household Report. A work request will be submitted to the Office of Information Technology (OIT) by July 30, 2007. The request will be to produce the report within a scheduled completion date that will make it available for preparation of the Annual Federal LIHEAP Household Report in October/November 2007. OIT will be instructed to retain the data so that it will be available for audit purposes.</p>	<p>October/November 2007 Anne Vidunas-Gladwell (609) 984-0625</p>
<b>Medicaid Cluster (93.775, 93.777, 93.778)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-7 05-10 04-20	<p>This finding is accurate. However, the State believes the approved pilot project is an acceptable alternative to and an improvement over the traditional MEQC process.</p> <p>The State received approval from the respective federal agency to replace the traditional MEQC process with a pilot project. The pilot project intends to provide a more thorough evaluation and enhancement of subrecipient eligibility determinations through the application of targeted assessments. The pilot project includes varied targeted assessments each year that could not all be accomplished simultaneously. These targeted assessments when combined over several years will ensure greater program integrity and provide improvements in program administration beyond the traditional MEQC process.</p> <p>The pilot project is a multi-year effort that apparently does not satisfy the compliance requirement cited for the single year being audited. As a result of the concern expressed by the audit finding from this and prior years, the State is reverting to the traditional MEQC program effective October 2007.</p>	<p>October 2007 Robert Grzyb (609) 984-4460</p>

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<b>State Children's Insurance Program (93.767)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-8 No finding in prior years	<p>This finding states that the Department could not provide support or explanation for the difference between the total administrative cost expenditures per the CMS-21 report and the NJCFS system. The amount of the difference not supported is \$2,345,246.</p> <p>Upon further review of the available information, some of the questioned differences have been identified. Since these items represent less than 10% of the amount questioned and are supported by voluminous documentation, they have an immaterial impact on the finding and were not submitted for consideration by the auditors.</p> <p>As for an explanation of the remainder of the difference, allowable costs, as defined by CMS that are reported on the CMS-21 include other departmental charges such as expenditures from: the Office of Information Technology (OIT), the Office of Administrative Law (OAL), the Department of the Treasury (expenditures for rent, utilities, etc.). These departments have staff/salaries and other expenditures, of which a portion is allocable/attributionable to the Children's Health Insurance Program (CHIP) but is not necessarily identified and directly payable by the Division of Medical Assistance and Health Services (DMAHS) NJCFS accounts and as such, may not be identified as CHIP expenditures on the GN-12 report. Nonetheless, these expenditures would exist on NJCFS identified as expenditures of the departments that are responsible for these salaries or costs. However, all administrative costs that are reported on the CMS-21 report are supported by the proper documentation and the majority of these costs result from multi-Federal agency approved cost allocation plans.</p> <p>The lack of available staff precludes the Division from adequately analyzing and explaining the remaining variance. The effort needed to analyze the numerous accounts of the various agencies included in the CMS-21 within the time required is beyond the current capability of DMAHS. It should be noted that the effect of the finding does not impact the amounts reported on the CMS-21. All amounts included on the CMS-21 are adequately supported by financial records. The CMS-21 is routinely reviewed and was tested as part of this audit. These reviews and tests did not identify any questions or concerns.</p>	Ongoing Robert Grzyb (609) 984-4460
<b>Social Services Block Grant (93.667)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-9 05-1 04-12	<p>The Division of Youth and Family Services (DYFS) has updated its position control report with employees' proper cost center codes. In March 2007, the Department of the Treasury's Centralized Payroll Unit (CPU) processed a mass conversion to its system, which aligned over 900 DYFS employees to the correct function in the cost allocation plan.</p> <p>DYFS Personnel Office staff meets monthly with colleagues from the Department of the Treasury's Office of Information Technology, Office of Management and Budget and CPU to discuss methods of automating the system. In the meantime, DYFS updates its position control report to a monthly centralized payroll report and provides the CPU with any corrections/updates.</p>	March 2007 William Mazur (609) 292-7802

<sup>1</sup> Current and prior year finding number(s)



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<b>Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Education</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-10 No finding in prior years	On June 4, 2007, a memo was sent from the Coordinator of Vocational Rehabilitation to all NJ Commission for the Blind Managers and Supervisors stating that the Certification of Eligibility Form must be signed at the time eligibility is determined by both the caseworker and supervisor.	June 2007 Robert Grzyb (609) 984-4460
<b>Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Education</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-11 05-65 04-2 03-1 02-1	On May 29, 2007, a memo was sent from the Manager of Fiscal Resources to all NJ Commission for the Blind staff stating that price competition procedures and sole source justification must be used when purchasing goods and services for consumers. The Procurement Circular 00-13-DPP and the Sole Source Justification Form have been made available to all staff. As the Commission Procedures Manuals for Vocational Rehabilitation, Education, and Independent Living Services are updated, Procurement Circular 00-13-DPP will be included in the manuals for reference.	May 2007 Robert Grzyb (609) 984-4460
<b>Food Stamps Cluster (10.551, 10.561)</b> <b>Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)</b> <b>Temporary Assistance for Needy Families (93.558)</b> <b>Child Support Enforcement (93.563)</b> <b>Low-Income Home Energy Assistance (93.568)</b> <b>Child Care Cluster (93.575, 93.596)</b> <b>Foster Care—Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>Social Services Block Grant (93.667)</b> <b>State Children's Insurance Program (93.767)</b> <b>Medicaid Cluster (93.775, 93.777, 93.778)</b> <b>State Agency: Department of Human Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-12 05-8 04-14	A memorandum is being developed to the payroll clerks and their supervisors requiring reviews of time sheets and payroll exception reports by the supervisors to ensure that all necessary signatures are included on these documents.	July 2007 Robert Grzyb (609) 984-4460

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<b>Food Stamps Cluster (10.551, 10.561)</b> <b>Child and Adult Care Food Program (10.558)</b> <b>Employment Services Cluster (17.207, 17.801, 17.804)</b> <b>Unemployment Insurance (17.225)</b> <b>Workforce Investment Act Cluster (17.258, 17.259, 17.260)</b> <b>Rehabilitation Services: Vocational Rehabilitation Grants to States (84.126)</b> <b>Centers for Disease Control and Prevention—Investigations and Technical Assistance (93.283)</b> <b>Temporary Assistance for Needy Families (93.558)</b> <b>Child Support Enforcement (93.563)</b> <b>Child Care Cluster (93.575, 93.596)</b> <b>Foster Care—Title IV-E (93.658)</b> <b>Adoption Assistance (93.659)</b> <b>Social Services Block Grant (93.667)</b> <b>State Children’s Insurance Program (93.767)</b> <b>Medicaid Cluster (93.775, 93.777, 93.778)</b> <b>State Pharmaceutical Assistance Programs (93.786)</b> <b>Disability Insurance/SSI Cluster (96.001)</b> <b>Homeland Security Cluster (97.004, 97.067)</b> <b>State Agency: Department of Treasury, Office of Management and Budget</b> <b>Federal Agencies: U.S. Department of Agriculture</b> <b>U.S. Department of Labor</b> <b>U.S. Department of Education</b> <b>U.S. Department of Health and Human Services</b> <b>Social Security Administration</b> <b>U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-13 No finding in prior years	The State has recently made changes to the procedures for calculating the fringe benefit rate. An additional staff member has been assigned and trained to provide review of the plan prior to its submission. This change was made prior to the calculation of the rate for the fiscal year 2008. As noted in the finding the errors involve manual calculations that our procedure changes are intended to address in future fringe benefit rate calculations.	Ongoing Anne B. Fletcher (609) 984-8261

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<b>Title I Grants to Local Educational Agencies (84.010)</b> <b>State Agency: Department of Education</b> <b>Federal Agency: U.S. Department of Education</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-14 No finding in prior years	The desk review procedures have been modified to ensure detection of incorrect Type A thresholds and proper notification of errors to the CPA firms. A letter will be distributed to remind all CPA firms that audit NJ school districts that while the Single Audit threshold has been increased to \$500,000, the threshold for Type A programs remains unchanged in accordance with Section 520 of OMB Circular A-133.	Desk review procedures: June 1, 2007 Letter: August 1, 2007 Charles R. Peffall (609) 292-1319
<b>Highway Safety Cluster (20.600, 20.602, 20.604, 20.605)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Transportation</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-15 No finding in prior years	<p>Corrective action for this finding is the responsibility of the Division of State Police (DSP).</p> <p>The DSP will implement a procedure whereas when a purchase is made, the equipment will be shipped to the Warehouse at Division Headquarters. The requesting unit will then inventory the equipment and, if it was purchased for the State Police, complete an Inventoried Equipment Receiving Report (SP 345) and tag it with an SP inventory tag. The SP 345 will then be forwarded to the Logistics Bureau to ensure the items are properly placed in the Division's inventory. If the items are purchased for a local agency ("Pass Through Items"), the requesting unit will have the receiving agency sign a receipt (SP 494). It will not be necessary to tag "Pass Through Items" with an SP inventory tag and complete an SP 345.</p> <p>Additionally, as part of the purchasing process, the unit requesting the purchase will document on the Request for Funds (SP 161) whether the equipment being purchased is for the State Police or for a local authority. If the equipment is for a local authority and the authority is known prior to completing the SP 161, the name of the local authority will also be listed on the SP 161.</p>	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Public Assistance Grants (97.036)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-16 05-35	Effective July 1, 2006, the Division of State Police has been reporting quarterly based on expenditures and not on drawdowns. This will facilitate reconciliation of the GN12 report at the end of the year.	July 2006 Carl A. Wyhopen (609) 292-8193

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<b>Public Assistance Grants (97.036)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-17 05-34	Effective immediately, the Division of State Police will ensure that all quarterly reports are reviewed first by the preparing accountant, then by the Grants Accounting Unit Head, and finally by the Fiscal Control Officer, who will sign same authorizing that it is true and correct.	Immediate Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-18 05-31 04-26 03-38 02-34 01-27 00-09	The Division of State Police has implemented a Biweekly Certification of Time and a quarterly certification of grant funded activities. These certifications will be used for all individuals assigned to grant funded programs or for those whose positions are used as a match to the various grants. Procedures are in place for how the forms are to be completed and submitted. Forms are currently on the Division's database and training is scheduled for sometime in July 2007.	July 2007 Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-19 No finding in prior years	A requirement to maintain supporting documentation for all charges has always existed for all recipients of HSGP and EMPG funding in order to ensure adequate source documentation is available for review. The Office of Homeland Security and Preparedness (OHSP) will reiterate this fact in the upcoming FY07 HSGP and EMPG grant cycles.	June 2007 Carl A. Wyhopen (609) 292-8193

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<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-20 No finding in prior years	The Division of State Police will more accurately review reported expenditure information to ensure that drawdowns are reconciled based on NJCFS. Implementation will be in conjunction with the 3 <sup>rd</sup> quarter reporting period.	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-21 05-30 04-27 03-39 02-36	<p>This finding pertains to both the Division of State Police (DSP) and the Office of the Attorney General (OAG).</p> <p>The DSP will implement a procedure whereas when a purchase is made, the equipment will be shipped to the Warehouse at Division Headquarters. The requesting unit will then inventory the equipment and, if it was purchased for the State Police, complete an Inventoried Equipment Receiving Report (SP 345) and tag it with an SP inventory tag. The SP 345 will then be forwarded to the Logistics Bureau to ensure the items are properly placed in the Division's inventory. If the items are purchased for a local agency ("Pass Through Items"), the requesting unit will have the receiving agency sign a receipt (SP 494). It will not be necessary to tag "Pass Through Items" with an SP inventory tag and complete an SP 345.</p> <p>Additionally, as part of the purchasing process, the unit requesting the purchase will document on the Request for Funds (SP 161) whether the equipment being purchased is for the State Police or for a local authority. If the equipment is for a local authority and the authority is known prior to completing the SP 161, the name of the local authority will also be listed on the SP 161.</p> <p>With reference to the OAG, similar to above, any equipment purchased by the office will be properly tagged in accordance with Treasury guidelines. The Office of Homeland Security and Preparedness (OHSP) will reiterate this fact for all recipients of HSGP and EMPG funding in their subaward documentation.</p>	DSP: September 2007 OAG: Immediate Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-22 No finding	The Division of State Police will implement, as part of the purchasing process, a requirement that the unit requesting the purchase will document on the Request for Funds (SP 161) whether the equipment being purchased is for the State Police or for a local authority. If	September 2007 Carl A. Wyhopen

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in prior years	the equipment is for a local authority and the authority is known prior to completing the SP161, the name of the local authority will also be listed on the SP 161. In addition, when setting up the accounts for grants where equipment or pass-through items are to be made for local entities, the appropriate reporting category/line item will be established.	(609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-23 05-28	<p>The Federal Financial Status Reports (SF-269s) for the audit period were not filed by the Division of State Police (DSP) but by the Office of the Attorney General (OAG). The match was not reflected on the 269s. Revised SF-269 reports, which reflect the appropriate match contribution, will be generated by DSP fiscal staff and coordinated with OAG Homeland grant fiscal staff. The revised SF-269 reports will be submitted to the U.S. Department of Homeland Security.</p> <p>Additionally, the Emergency Management Section, Emergency Preparedness Bureau will track what each county and local municipality is awarded and what they provide as a match to ensure that they are providing the appropriate match as per the grant agreement.</p>	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-24 No finding in prior years	A requirement to maintain supporting documentation for all charges has always existed for all recipients of HSGP and EMPG funding in order to ensure adequate source documentation is available for review. The Office of Homeland Security and Preparedness (OHSP) will reiterate this requirement in the upcoming FY07 HSGP grant cycle by specific line item reference in every subgrant award agreement that is issued to recipients of HSGP funding.	June 2007 Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-25 05-33	The Division of State Police (DSP), Grants Accounting Unit, will reconcile their Homeland Security Grant SEFA reports based on Financial Status Reports and not on drawdowns. The DSP acknowledges that this has been a finding in past audits. They are working with the respective grant accounts to ensure that the reconciliations will be done in the above manner.	September 2007 Carl A. Wyhopen (609) 292-8193

<sup>1</sup> Current and prior year finding number(s)

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<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-26 No finding in prior years	The Division of State Police (DSP) will implement procedures whereas all submitted Financial Status Reports (SF-269A), which will include the appropriate backup documentation, will be reviewed by the Grants Accounting Unit Supervisor prior to being forwarded to the Fiscal Control Officer for final review and approval. This will ensure accuracy of the submitted reports throughout the grant period. Implementation will be in conjunction with the 3 <sup>rd</sup> quarter reporting period.	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-27 No finding in prior years	The Office of Homeland Security and Preparedness (OHSP) will ensure that the CFDA and federal agency name appear on all HSGP and EMPG subgrant/award documents so that recipients are aware of this information.	Immediate Carl A. Wyhopen (609) 292-8193
<b>Homeland Security Cluster (97.004 and 97.067)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-28 No finding in prior years	The Office of Homeland Security and Preparedness (OHSP) acknowledges that the 60-day pass through requirement attributable to the 80% local share was not met in terms of the subgrant award letters that are issued out to the 21 counties. This has been addressed under the upcoming FY07 HSGP subgrant award process to the counties. The issuance of the FY07 HSGP subaward letters will be well within the 60-day pass through requirement. It should be noted that the U.S. Department of Homeland Security (DHS), FEMA Preparedness Directorate, requires, utilizes, and accepts the use of their web-based Initial Strategy Implementation Plan (ISIP) reporting mechanism to ensure compliance with the 60-day, 80/20 allocation of HSGP funding. The ISIP is submitted to DHS by Office of Attorney General Homeland fiscal staff within the 60-day period.	June 2007 Carl A. Wyhopen (609) 292-8193

<sup>1</sup> Current and prior year finding number(s)

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<b>Urban Areas Security Cluster (97.008)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-29 No finding in prior years	The appropriate object code for local purchases will be established as needed. Additional training for the accounting staff and the units initiating the purchase process will be conducted to ensure that the accountants use the correct object code in NJCFS and that the respective unit put the correct object code on the SP 161.	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Urban Areas Security Cluster (97.008)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-30 05-37	<p>The Division of State Police (DSP) will implement a procedure whereas when a purchase is made, the equipment will be shipped to the Warehouse at Division Headquarters. The requesting unit will then inventory the equipment and, if it was purchased for the State Police, complete an Inventoried Equipment Receiving Report (SP 345) and tag it with an SP inventory tag. The SP 345 will then be forwarded to the Logistics Bureau to ensure the items are properly placed in the Division's inventory. If the items are purchased for a local agency ("Pass Through Items"), the requesting unit will have the receiving agency sign a receipt (SP 494). It will not be necessary to tag "Pass Through Items" with an SP inventory tag and complete an SP 345.</p> <p>The DSP will implement, as part of the purchasing process, a requirement that the unit requesting the purchase will document on the Request for Funds (SP 161) whether the equipment being purchased is for the State Police or for a local authority. If the equipment is for a local authority and the authority is known prior to completing the SP 161, the name of the local authority will also be listed on the SP 161. In addition, when setting up the accounts for grants where equipment or pass-through items are to be made for local entities, the appropriate reporting category/line item will be established.</p> <p>When providing local entities with equipment or pass-through items, DSP will require the receiving official in the local jurisdiction to sign documents indicating receipt of said item(s).</p> <p>Effective immediately, the Office of the Attorney General (OAG) will consistently provide receiving reports when submitting invoices for payment. In compliance with current OAG policy, software and hardware will be inventoried, denoting issued party, and tagged. For licenses and services, a schedule of deliverables completed, as well as relevant time sheets and associated documents, will be provided when submitting invoices for payment. OAG fiscal section will continue to work closely with OAG IT so that each group has sufficient documentation regarding all procurements. OAG IT will work closely with DSP so that the receipt of products and services purchased on their behalf by OAG IT are in compliance with standard procedures (i.e., receiving reports for items).</p>	DSP: September 2007 OAG: Immediate Carl A. Wyhopen (609) 292-8193

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<b>Urban Areas Security Cluster (97.008)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-31 No finding in prior years	Commencing with the FFY06 HSGP program, the Suspension and Debarment Certification form has been included in the subgrant application package, which all recipients of FFY06, FFY07 and out years HSGP funding are required to sign and return to the Office of Homeland Security and Preparedness.	June 2007 Carl A. Wyhopen (609) 292-8193
<b>Urban Areas Security Cluster (97.008)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-32 05-40	The Division of State Police, Grants Accounting Unit, will reconcile their Homeland Security Grant SEFA reports based on Financial Status Reports and not on drawdowns. The DSP acknowledges that this has been a finding in past audits. They are working with the respective grant accounts to ensure that the reconciliations will be done in the above manner. Implementation will be in conjunction with the 3 <sup>rd</sup> quarter reporting.	September 2007 Carl A. Wyhopen (609) 292-8193
<b>Urban Areas Security Cluster (97.008)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: U.S. Department of Homeland Security</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-33 No finding in prior years	The Office of Homeland Security and Preparedness (OHSP) will ensure that the CFDA and federal agency name appears on all HSGP and EMPG subgrant/award documents so that recipients are aware of this information.	Immediate Carl A. Wyhopen (609) 292-8193

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<b>Help America Vote Act Requirements Payments (90.401)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: Election Assistance Commission</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-34 No finding in prior years	<p>Effective immediately, HAVA program staff and Office of the Attorney General fiscal staff will not process any requests for payments without a properly executed Payment Authorization Request (PAR), filled out and authorized by the appropriate signing authorities.</p> <p>Effective immediately, no payments will be made from HAVA funds for entertainment.</p>	<p>Immediate Carl A. Wyhopen (609) 292-8193</p>
<b>Help America Vote Act Requirements Payments (90.401)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: Election Assistance Commission</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-35 No finding in prior years	<p>Effective immediately, the SF-269 report will be reviewed by Office of Attorney General fiscal staff to make sure expenditures are itemized to correctly reflect federal HAVA funds and State match expenditures. In addition, proper documentation will be requested from the State Office of Management and Budget (OMB) to support line item entries on the report.</p>	<p>Immediate Carl A. Wyhopen (609) 292-8193</p>
<b>Help America Vote Act Requirements Payments (90.401)</b> <b>State Agency: Department of Law and Public Safety</b> <b>Federal Agency: Election Assistance Commission</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-36 No finding in prior years	<p>The Department will ensure that the CFDA and federal agency name appears on all HAVA subgrant/award documents so that recipients are aware of this information.</p>	<p>Immediate Carl A. Wyhopen (609) 292-8193</p>

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<b>Employment Services Cluster (17.207, 17.801, 17.804)</b> <b>Workforce Investment Act Cluster (17.258, 17.259, 17.260)</b> <b>Rehabilitation Services: Vocational and Rehabilitation Grants to States (84.126)</b> <b>Disability Insurance/SSI Cluster (96.001)</b> <b>State Agency: Department of Labor and Workforce Development</b> <b>Federal Agencies: U.S. Department of Labor</b> <b>U.S. Department of Education</b> <b>Social Security Administration</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-37 05-43 04-36 03-46	<p>On April 1, 2006, the Department of Labor and Workforce Development (LWD) introduced a new web-based time and leave reporting system. The electronic Cost Accounting and Timesheet System (eCATS) eliminated both the Time and Leave Reporting System (TALRS) and the LWD Cost Accounting System (BA-43's).</p> <p>All of the findings noted in the audit were for the period prior to the implementation of eCATS. Therefore, this type finding should not appear in future audit reports.</p>	<p>April 2006 James M. King (609) 292-1885</p>
<b>Comprehensive School Reform Demonstration (84.332)</b> <b>State Agency: Department of Education</b> <b>Federal Agency: U.S. Department of Education</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-38 No finding in prior years	<p>The Office of Grants Management has revised its Policies and Procedures manual to address this issue. The Program Officer and the Grants Specialist will now be required to verify independently that all required components are included in the application.</p>	<p>July 2007 Charles R. Peffall (609) 292-1319</p>
<b>Child and Adult Care Food Program (10.558)</b> <b>State Agency: Department of Agriculture</b> <b>Federal Agency: U.S. Department of Agriculture</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-39 05-46 04-24 03-34 02-18 01-26	<p>The Child and Adult Care Food Program made progress in fiscal year 2006 in meeting regulatory review requirements. We anticipate meeting full compliance with the requirements of 226.6(l) during fiscal year 2007.</p> <p>The underlying cause for the failure of the Bureau of Child Nutrition Programs to meet all of its regulatory responsibilities pertaining to the administration of the CACFP is insufficient staffing.</p> <p>Project Development Specialist positions have been exempted from the State personnel hiring freeze. Interviews for potential</p>	<p>Fiscal Year 2007 subject to Human Resources and NJ Civil Service timeframes Charles R. Toleno (609) 292-5490</p>

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	<p>candidates were conducted in August and April 2007. One candidate declined; the other selected by the National School Lunch Program unit. In addition, the CACFP is just recovering from the resignation of clerical staff. Timelines to continue recruitment for vacant positions are pending the completion of the current selection process in accordance with NJ Civil Service protocol and guidance from Human Resources.</p> <p>Continued staff absences require that we maximize the services of temporary field staff in effort to achieve compliance for fiscal year 2007. Therefore, three temporary staff are expected to assist during the 2007 summer months focusing on administrative reviews only.</p> <p>Current resources available are appropriately dedicated with maximum utilization.</p>	
<b>Weatherization Assistance for Low-Income Persons (81.042)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Energy</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-40 No finding in prior years	The Division of Community Resources has implemented a policy that requires the signature of a Program Representative and a Program Supervisor for approval of a Fiscal Status Report/Payment Voucher. Only one signature is required for an Advance Payment Voucher that is authorized by Grant Agreement. This is consistent with the Department's SAGE system that generates printed vouchers. Recommendation implemented.	Fiscal Year 2007 Anne Vidunas-Gladwell (609) 984-0625
<b>Weatherization Assistance for Low-Income Persons (81.042)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Energy</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-41 No finding in prior years	The Division of Community Resources has implemented a procedure regarding Preparation of Federal Financial Status Reports and Reconciliation to NJCFS. The procedure provides detailed instructions about how to complete Federal Form 269/269A and how to reconcile to NJCFS. The signatures of the preparer and the Division Director are required on the Federal Financial Status Report and Reconciliation Report. Recommendation implemented.	Fiscal Year 2007 Anne Vidunas-Gladwell (609) 984-0625
<b>Weatherization Assistance for Low-Income Persons (81.042)</b> <b>Community Services Block Grant (93.569)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agencies: U.S. Department of Energy</b> <b>U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-42 05-52 04-44	The Department is updating Administrative Policy 1.60.5, Federal Grant reconciliation, to include a section on the Annual SEFA process. The policy currently covers the quarterly reconciliation process. The quarterly reconciliation from 7/1-6/30 of any fiscal year can be used to verify the GN12. It is anticipated that the policy will be in place for the FY 07 GN12/SEFA review.	August 2007 Anne Vidunas-Gladwell (609) 984-0625

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03-24		
<b>Community Services Block Grant (93.569)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-43 05-51 04-47	The Division of Community Resources is preparing an RFP to hire a consultant to review and assess current monitoring instruments and procedures for the CSBG, DOE Weatherization, and LIHEAP Weatherization programs and to prepare recommendations for improvements to existing monitoring documents. The consultant also will perform comprehensive programmatic/fiscal monitoring of the Grants awarded from the three programs. In the interim, the CSBG staff has been asked to prepare a monitoring schedule and to begin monitoring with existing monitoring documents. Twelve months will be required to complete the full corrective action plan.	June 2008 Anne Vidunas-Gladwell (609) 984-0625
<b>Community Services Block Grant (93.569)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-44 05-57	The Division of Community Resources is modifying the CSBG Request For Proposal in SAGE to obtain information about Tripartite Board composition. A procedure is also being developed to provide guidance for preparing the language that should be included in a Grant Agreement to insure compliance with the Tripartite Board requirement.	December 2007 Anne Vidunas-Gladwell (609) 984-0625
<b>Low-Income Home Energy Assistance (93.568)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-45 05-53	<p>The Division of Community Resources has implemented a policy that requires the signature of a Program Representative and a Program Supervisor for approval of a Fiscal Status Report/Payment Voucher. Only one signature is required for an Advance Payment Voucher that is authorized by Grant Agreement. This is consistent with the Department's SAGE system that generates printed vouchers. Recommendation implemented.</p> <p>The Division has requested the Department of Treasury, Office of Information Technology to provide detailed reports that support the payments made to individuals and utility companies. One of the reports is available and the second report is currently in test mode and should be available by July 2007. A procedure has been developed to review the supporting information before a payment is approved.</p>	<p>Signature policy: Fiscal Year 2007</p> <p>OIT reports: July 2007 Anne Vidunas-Gladwell (609) 984-0625</p>

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<b>Low-Income Home Energy Assistance (93.568)</b> <b>State Agency: Department of Community Affairs</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-46 05-55	The Division of Community Resources is preparing an RFP to hire a consultant to review and assess current monitoring instruments and procedures for the CSBG, DOE Weatherization, and LIHEAP Weatherization programs and to prepare recommendations for improvements to existing monitoring documents. The consultant also will perform comprehensive programmatic/fiscal monitoring of the Grants awarded from the three programs. In the interim, the Office of Low Income Energy Conservation will review the current monitoring instrument, make necessary changes, and complete monitoring of the twenty LIHEAP Weatherization grants.	June 2008 Anne Vidunas-Gladwell (609) 984-0625
<b>Immunization Grants (93.268)</b> <b>Center for Disease Control &amp; Prevention—Investigations and Technical Assistance (93.283)</b> <b>State Pharmaceutical Assistance Program (93.786)</b> <b>HIV Care Formula Grant (93.917)</b> <b>State Agency: Department of Health and Senior Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-47 05-58, 05-61 and 05-62	<p>The main reason for the delay in the liquidation of open obligations is our Health Service Grantees have difficulty in certifying their expenditure reports in a timely manner.</p> <p>The Department instituted a procedure in SFY 2007 to formally request a 60-day extension for the submission of a final expenditure report reflecting zero obligations.</p>	December 2006 Walter C. Valora (609) 588-7403
<b>Center for Disease Control &amp; Prevention—Investigations and Technical Assistance (93.283)</b> <b>State Agency: Department of Health and Senior Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-48 No finding in prior years	<p>For personal services finding, the following practices have been put into place:</p> <ol style="list-style-type: none"> <li>1. The employee is required to complete and verify his/her work time sheet submission.</li> <li>2. The Service Director reviews time sheet submissions for employees funded under the CDC Grant.</li> <li>3. The Fiscal Unit performs a secondary review of those time sheets to assure accuracy.</li> </ol> <p>For other than personal services finding: The accounting supervisor will be directed to discuss this issue with the staff responsible for filing. In addition, management will be studying a new method of filing our payments. If this is found to be more efficient, the Department will implement this and stress with the staff the importance of accuracy in the filing of documents. Management will also be directing the accounting supervisor to spot</p>	Immediate Walter C. Valora (609) 588-7403

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	check those documents in the files to ensure accuracy.	
<b>Center for Disease Control &amp; Prevention—Investigations and Technical Assistance (93.283)</b> <b>State Agency: Department of Health and Senior Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-49 05-63	The Department has acquired and installed a new inventory system in FY 2007. This included the conversion of the records in the old system. The Department has completed a physical inventory in FY 2007 and staff are now in the process of reconciling the inventory to those records in the new system. A physical inventory will now be performed on a semi-annual basis in accordance with State Circular Letter 01-07 OMB.	Fiscal Year 2007 Walter C. Valora (609) 588-7403
<b>Immunization Grants (93.268)</b> <b>State Agency: Department of Health and Senior Services</b> <b>Federal Agency: U.S. Department of Health and Human Services</b>		
<b>FINDING #<sup>1</sup></b>	<b>VIEWS OF RESPONSIBLE OFFICIALS AND CORRECTIVE ACTION PLAN</b>	<b>COMPLETION DATE/ CONTACT PERSON</b>
06-50 No finding in prior years	<p>The current Program Manager has signed the timesheet in question and has submitted it for inclusion with this employee's other timesheets for 2006. The current practice is that a timesheet that is submitted for review is signed by the employees' immediate supervisor, Program Manager, or designee. Errors that are noted are corrected prior to submission for further processing. Mathematical computations for staff time sheets will be verified by their supervisor to eliminate future problems.</p> <p>Management will set up a two-step quality control feature supporting the calculations and review of the timesheets from employees and vendors alike to verify the legitimacy of the charge as well as the time reported. The purchase of all items for the Division of Management and Administration are processed through a centralized source, i.e., the Administrative Office. Receipt and payment of these items will be verified by this same office. Inventory is to be performed by Financial Services Procurement Office. Storage/use will be the responsibility of the operating program.</p>	July 2007 Walter C. Valora (609) 588-7403

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